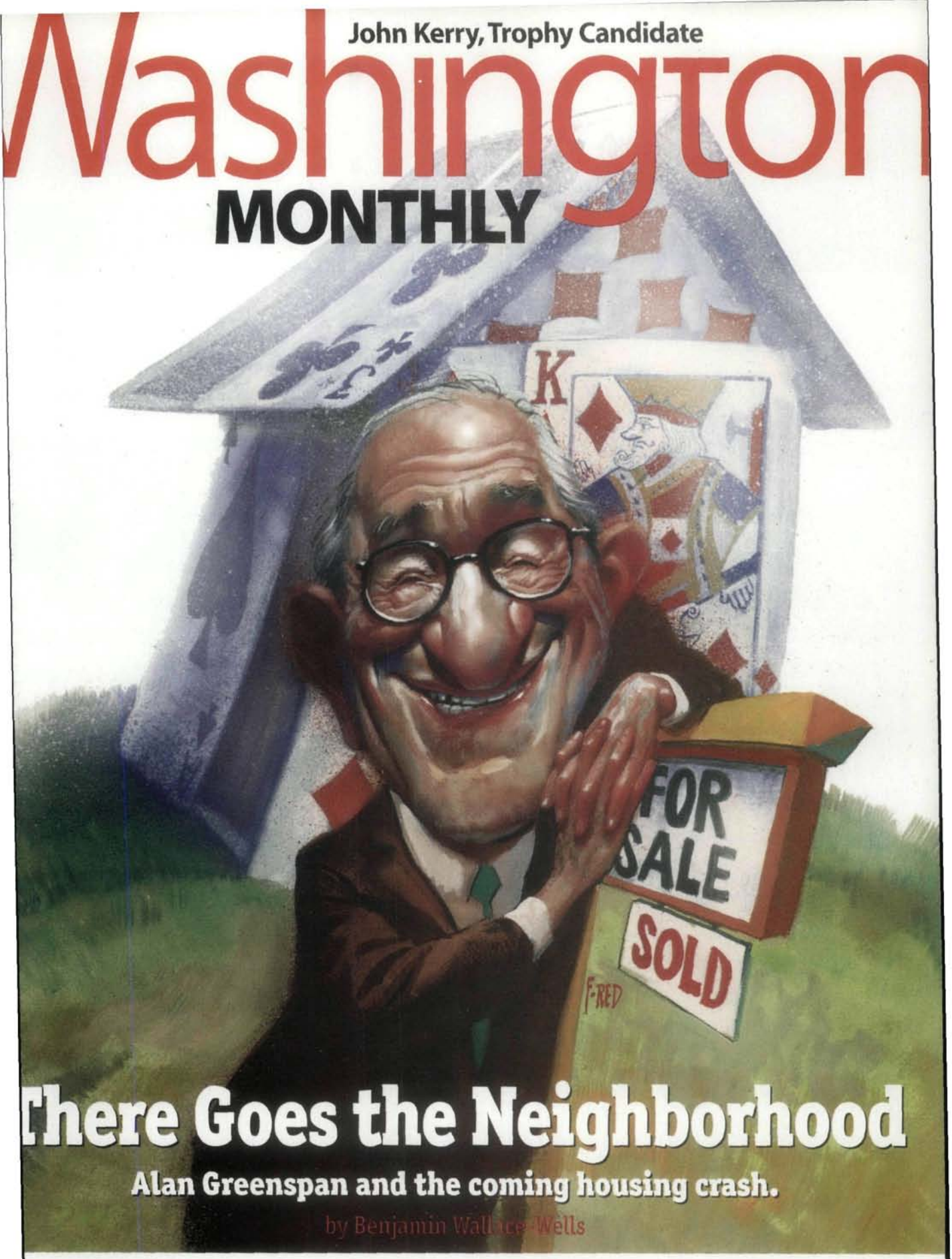
John Kerry, Trophy Candidate

Washington MONTHLY



There Goes the Neighborhood

Alan Greenspan and the coming housing crash.

by Benjamin Wallace-Wells

I 2004 $4.50

How John Kerry can create jobs • Bush's French bosses

The case against: sororities, civil unions, medical journals

Reviews of books by Douglas Brinkley and Debra Dickerson

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Janet Maslin in *The New York Times* says Debra Dickerson's new book

Gerald Early in *The New York Times* says Debra Dickerson's new book

THE END OF BLACKNESS

"makes her a star. A dazzling diatribe

that reveals Ms. Dickerson as a Molotov-cocktail polemicist. She has distilled a lifetime's worth of eye-opening realizations into a furious, bitterly funny indictment. Even readers whom she enrages—and there will be many—cannot ignore the range and ferocity of her attack. Ms. Dickerson deserves to fan the same kind of flames that made an academic celebrity of Camille Paglia, and that routinely catapults us-vs.-them screeds to the best-seller list.

Above all, it appears intended less as an assault than as an invitation."

"lacks nuance and balance.

The problems with this book are several and severe. Politically, Dickerson wants to have her cake and eat it too, so she nods to conservatives in saying blacks need to 'do for self' and quit worrying about what whites think of them, and nods to liberals in saying how horrible whites are and how persistent and unrelenting racism is. The problem is that

the author does not know enough to write an incisive book on African-American life or American racism."

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Washington MONTHLY

Volume 36, No. 4
April 2004

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Letters

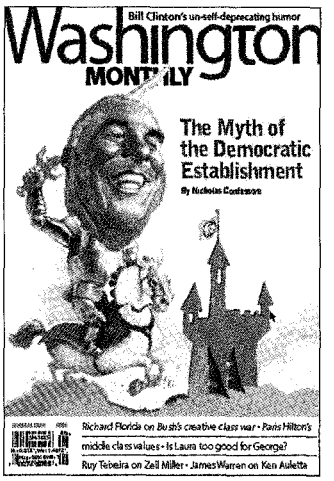
No *there* there

Thank you for a very thoughtful article ("The Myth of the Democratic Establishment" by Nicholas Confessore, January/February) about the lack of a cohesive Democratic organizational structure. I happened to be listening to Rush Limbaugh on the radio some two or three weeks ago, and oddly enough, he provided a breakdown very similar to yours on the weaknesses of the Democratic machine. To paraphrase Limbaugh, the problem with the Democratic Party is that it has long been a party of loosely allied groups on the ground. In the past, these groups were held together by strong leaders who told them what to do. No longer. When the leadership became weaker, the groups began to fight directly with each other. Given how well conservatives are able to intuit the weaknesses of the Democrats, maybe Democrats should be able to better analyze their own structural shortcomings.

Anyway, keep up the good work, gentlemen. You're definitely the need-to-read for forward-looking lefties.

Eric Ellsworth
Via email

I was recently reading the article "The Myth of Democratic Establishment" when I noticed it contained another long-standing fallacy. The piece implies that the Republican Party was against the Civil Rights Act, by asserting that the loss of southern whites to the GOP was because of Democratic support of the Civil Rights Act. This, while widely believed, is false. In fact, in the Senate, the act was supported 27 to 6 by Republicans and 46 to 27 by Democrats, with all southern Democrats voting against the bill. Likewise in the House, 80 percent of Republicans supported passage, and all but 11 out of 103 southern Democrats voted against. Many of the governors



January/February 2004

who disputed the Civil Rights Act, including most famously Gov. Wallace of Alabama, were Democrats.

Alan Boulier
Via email

Nicholas Confessore replies: Boulier does not contradict what I wrote in my piece, which was that between the 1960s and 1980s, "[c]onservative whites deserted the [Democratic] party over its support for civil rights and began to vote Republican." It is true that many Democrats in Congress opposed the 1964 Civil Rights Act. There were almost no Republicans representing the South, so it was inevitable that opposition to the Civil Rights Act came largely from those politicians who did represent *the South at the time: Democrats. But a clear majority of Democrats in the House supported the bill (152-96), as did the majority of Democratic senators—as did most Republicans, many of whom represented pro-civil-rights constituents in the North. By embracing civil rights, the national Democratic Party, led by Lyndon B. Johnson, made the morally correct but electorally costly choice to abandon its white segregationist supporters—at which the national Republican Party stepped forward to become their new home. Over the next two decades, the GOP would set aside its legacy as the party of Lincoln and embrace Richard Nixon's "Southern Strategy," mobilizing white backlash to secure victory at the polls. That's not a fallacy. It's history.*

"The problem with the Democratic party is that it has long been a party of loosely allied groups on the ground. In the past, these groups were held together by strong leaders who told them what to do. No longer."
—Eric Ellsworth

Whether size matters

I am deeply impressed by Richard Florida's comprehensive, even-handed, well-researched article, "Creative Class War" (January/February). I have only one quibble: He has neglected one sub-category of creative-class migration—the movement of some of the intelligentsia outside of certain urban centers. The growth of areas like Columbia County in New York State and the southwest corridor of Vermont around Manchester and Bennington, with all the second home development and tech-commuter communities, suggests that there may be a dispersion of the intellectual and economic elite to these regions outside of the cities. In any case, I am most grateful for this piece and send my kudos to the author and to *The Washington Monthly* for publishing such high-level journalism.

Nora J. Rubinstein, Ph.D.
Middletown Springs, Vt.

Richard Florida replies: I agree with Ms. Rubinstein, and, in the context of my book, The Rise of the Creative Class, *I note the emergence of many such smaller creative enclaves, particularly college towns like Burlington, Vt.,*

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and Madison, Wisc. Creative people naturally seek out communities where they can be themselves and follow their dreams — be those places smaller communities or larger cities in the United States, or in other parts of the world. Meanwhile, declining cities where workers feel forced to conform to some 1950s "company man" norm, are the ones most in danger of losing their creative talent – and so it is high time that civic leaders in those older, more staid places focus on turning their cities into the kinds of places where talented workers can actually thrive using their creative energy.

Heir heads

Benjamin Wallace-Wells's article "Like Common People" (January/February) was enjoyable, but stories of spoiled heiresses are nothing new. One of the very early Oscars went to a film he ought to watch called "It Happened One Night," starring Clark Gable and Claudette Colbert. In that famous film, a wealthy debutante gets her comeuppance, for being born rich during the Depression, presumably. The same premise still works even on MTV.

CDR Larry A. Grant
Via email

It appears from Wallace-Wells's article that youth of the extremely rich are in as much need of mentors and guidance as those at the other end of the social spectrum — it is obvious that they are not getting it from their parents. Too much money is as much a curse as too little. Given a choice, I think I would choose the less affluent end where there is a greater sense of community, populated by people who look out for each other. Children thrive in a structured environment where the rules are clear and enforced.

I believe that those who attain contentment usually do so on a modest income that provides leisure time outside of daily work for intellectual activities and involvement with the community. Each of us needs a reason to get up in the morning. Even as adults we need structure to our lives; without it we start to drift, become feckless.

Andrew Donovan-Shead
Tulsa, Okla.

Liberals and religion

I was rather disappointed by the Who's Who (January/February) item on Paul Bremer as its conclusion seemingly ridiculed the Catholic faith of the Bremers and the devotional importance of Lourdes to that faith.

This flippancy seems to be part of a general editorial animus your publication has toward people of religious faith. I observe this sadly, as I generally agree with 85 to 90 percent of the well-reasoned, soundly written articles that appear in the magazine. Faith and liberalism are not mutually exclusive: Indeed, my religious convictions lead me to believe in the role of government to improve the lives of its citizens.

My question is whether *The Washington Monthly* is only for political progressives who are secular?

Eric Smith
Atlanta, Ga.

The editors reply: Our intent was to use the vivid details of the Bremers's Catholicism to provide some insight into the strength of their friendship with the Bushes. In fact, we took care to word the item so that it would not cast judgment on the nature of their faith. While for too long many corners of the progressive community have been skeptical of religion, we are proud to have showcased articles that reflect religious perspectives, including our June 2003 cover story, "Do the Democrats Have a Prayer?" by liberal and religious writer Amy Sullivan.

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Tilting at **Windmills**

by **Charles Peters**, founding editor

Coulter v. Cleland

Ann Coulter recently attacked Max Cleland, the former senator from Georgia who lost three limbs in Vietnam, for "allowing Democrats to portray him as a war hero." Her point was that his injuries occurred when he picked up a live grenade, thinking it was one of his own that he had just dropped. "He could have done it at Fort Dix," she writes.

But, Ms. Coulter, it didn't happen at Fort Dix—or in the Air National Guard. It happened in Vietnam, where he was risking his life everyday, and where he had already won a Silver Star, one of the nation's highest awards for bravery in battle.

This is Manila

My friend Jonathan Rowe recently visited the Philippines, and tells of meeting a young man who had just quit his job at a corporate call center in Manila. "There are over 50 of these places, some of them occupying whole buildings, I'm told. Chances are, when you call Microsoft, Citibank, and anyone of that ilk, you actually are calling the Philippines or else India. Corporations are assiduous at hiding this from their customers. Employees must take a course in which all traces of Pinoy are scrubbed from their speech. They are forbidden to say anything that might suggest where they are speaking from."

Rowe has a solution for this problem: "If the law requires corporations to disclose where a t-shirt is made, shouldn't they disclose where I'm calling when I call them?" As I was writing this item, *The Wall Street Journal* reported that John Kerry has introduced a bill that will make Jon Rowe's solution the law of the land.

No left turns

J. Edgar Hoover's reputation has taken a beating since his death in 1972. I rise to his defense in one regard, however. It is his policy of "no left turns." I'm not talking about his political philosophy but about the instruction given to his drivers. Actually, it makes sense. You are more likely to get in trouble when you turn left because you have to judge the speed of cars coming from both directions. Indeed, there is proof that this is so in the case of seniors. According to the *AP*, an American Automobile Association study found that elderly drivers "were more likely to get into crashes when turning left, when drivers often make quick decisions about whether to stop or go."

Skins game

I am, I must confess, a pro-football fan, having rooted for the Washington Redskins for more than 40 years. My wife will ask, how can I get so upset about violence in movies and still watch the violence on the gridiron. I, of course, stoutly maintain that violence is not football's main appeal. The other day, she wore the kind of smug smile that warns me she's ready to make a devastating point. She handed me a brochure we had received from the Redskins. Its cover read: "How comfortable can you be watching grown men tear each other apart?" Open the brochure and you see a fan sitting in one of the most expensive seats, which the brochure is trying to sell, with a big smile on his face saying: "Very." She had me.

Few friends in Fez

After George Tenet had assured a Senate committee that America is safer today than it was a year ago, Jay Rockefeller noted the result of public opinion polling in the Arab world. In Morocco, support for the United States has dropped from 77 percent pre-9/11 to 27 percent, in Saudi Arabia from 63 percent to 11 percent, and in Jordan from 25 percent to 1 percent.

Rich Trippi

When you read about Joe Trippi having worked for Howard Dean without salary, I hope you remembered the point I made in this column during the 2000 campaign: that most political consultants get their money not from salary but from commissions on the advertising that runs for their candidates. Trippi was depicted as a saint by the television pundits—I can still see the deeply respectful look on the face of Chris Matthews, who interviewed him after his departure from the Dean campaign.

True, Trippi charged a lower percentage for his commissions than many consultants. Still, his company had collected $700,000 in commissions on television advertising by the end of January and thereafter had at least $400,000 owed to it, all of which were expenditures largely determined by Trippi as campaign manager. Because of his understandable devotion to this medium for reaching the voters, he had spent almost all of what once amounted to the largest treasury of any Democratic candidate, causing Dean to cancel future advertising and confine himself to a last stand in Wisconsin.

A few people are catching on. *The Washington Post*'s Paul Fahri just wrote a neat article about what

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Trippi was doing. He quotes Nancy Todd Tyne, president of the American Association of Political Consultants, as saying: "It's interesting that the media guys are always pushing, 'Do TV.' You never hear the media guy say, 'I was up all night thinking about how we need to do another piece of direct mail!'"

The solution I suggested in my 2000 item was that instead of paying consultants a percentage of the media buy, pay them a flat fee. Hillary Clinton did that with Mandy Grunwald, with a more than satisfactory result.

Celery seeds and slot machines

The ranks of Washington lobbyists include some of the world's greatest confidence men. Everyone knows that these fellows have to con congressmen and bureaucrats, but what is less well known is that they have to con their client as well. This means keeping the client in a constant state of panic about plots being hatched, for instance, against the Celery Seed Producers Association, or whatever the client is—"Bulletin to Celery Seeders: We have just learned a bill is being proposed to ban our seeds. To stop it we need your help now. Please FedEx check today."

I wouldn't dream of calling Tom DeLay's former assistant, Jack Abramoff, or his colleague, Paul Scanlon, confidence men, but it does appear that they have carried to new heights the art of making the client feel—and feel deeply—the need for their services. According to *The Washington Post*'s Susan Schmidt, they have collected $45 million over the last three years to lobby for Indian gaming tribes. What is remarkable about their accomplishment is that "there are no major issues for gaming tribes on the horizon."

Wrong targets

Buried in a recent Maureen Dowd column is a good point by former Sen. Bob Kerrey. He said that once 9/11 happened, our target should have been Osama bin Laden, not terrorism in general. "To declare war on terrorism would seem to me to have the wrong target. It would be like after the 7th of December 1941, declaring war on Japanese planes. We declared war on Japan. We didn't declare war on their tactic. Terrorism is a tactic."

Colonial terrorists

Kerrey might have added that, by making terrorism the enemy instead of al Qaeda, we took on an immensely complicated—should we war on the Chechens?—and ever-shifting target. One man's terrorist is another man's patriot. In the 18th century we were terrorists to the British, as were the Israelis to the British in the 1940s, and the Palestinians to the Israelis today.

Mahatma Arafat

This doesn't mean that I'm a fan of terrorism. I was happy to see a report in *The New York Times* by our alumnus, James Bennet, that some Palestinians are using peaceful demonstrations to protest against the wall. I've long felt that non-violent resistance would be the Palestinians' best tactic. Jewish guilt could get them more than terrorist bombs.

It's not a slam dunk, however. "In advocating civil disobedience," writes Bennet, "Gandhi and Martin Luther King had a bedrock faith in the essential humanity of their oppressors." It is, unfortunately, a faith that Arab extremists do not possess, and that Israeli right-wingers have not earned.

Friedman's Wolfowitz moment

The normally reasonable Tom Friedman of *The New York Times* may have been out in the sun too long with Paul Wolfowitz. Here's what he wants the likely Democratic presidential nominee to say: "A Kerry presidency will pay any price and bear any burden to build a decent Iraqi regime in the heart of the Arab World."

It's not that a democratic Iraq is not a laudable goal. But doesn't this country have many other challenges to meet, both here and abroad, of equal or greater urgency?

Senior moment

Conservatives may be wrong in always seeming to prefer tax cuts for themselves over help for the less fortunate, but they are often right in being skeptical about the efficiency of government programs to provide that help. In West Virginia, it was recently discovered that Bob

BENEFIT EXHAUSTION

Congress voted in 2002 to give jobless workers an additional 13 weeks of unemployment compensation. Just before Christmas, the program ran out. "Congressional Republicans," explains *The Washington Post*'s Kirsten Downey, "said another extension wouldn't be necessary because the economy was going to strengthen and job growth was near at hand." In January, a record-high 375,000 unemployed workers exhausted their benefits.

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Graham, the director of Senior Services for Wyoming County (pop. 25,000), was being paid $301,000 a year. His compensation is supposedly determined by two boards consisting of senior citizens, at least some of whom are dependent on services provided by the program.

Where does the money come from? In 2002, reports the *Charleston Gazette*, the agencies that paid Graham's salary got $5.2 million from Medicaid and other government sources, with only $73,100 coming from non-governmental sources. Is there any state or federal oversight of these senior service programs?

According to the *Gazette*, "state bureau of senior service director Ann Stottlemyre said she doesn't know how Graham's organization works...[Gov. Bob] Wise and Director of Human Services Paul Nussbaum distanced themselves from the problem, laying the blame for the salary flap at the feet of the board members."

Are federal authorities better informed? Not if Congresswoman Shelley Moore Capito (R-W.Va.) is typical: "I'm not sure how much federal funds go directly into that center. I'm surprised there isn't some kind of audit." And three of the six living board members (two are deceased) recently told the *Charleston Daily Mail* "that they had no idea what Graham makes a year. They could not explain their role as board members, the duties of the board or the financial structure of the agency." Does anyone know what's going on? Does anyone know how many other programs like this there are around the country, receiving government money but without any accountability to anyone?

The Pentagon's tax evaders

Shouldn't the people who profit from Department of Defense contracts pay their taxes? After all, it's our money they're paid with, and it's our loss when they don't pay their share of the tax burden. Unfortunately, 27,000 defense contractors have not paid their taxes. That's right — 27,000. They owe a total of $3 billion, according to the General Accounting Office.

Liberal journalists who pick on Kerry should remember that Bush is the only other choice we now have, so that they do not do unto Kerry what they did unto Al Gore — such a splendid job of tearing him down that they leave the GOP with little or nothing to add.

Ironically, legislation was passed in the late 1990s, giving the Pentagon authority to deduct 15 percent of any payment to contractors who owe taxes, but, guess what? The law has yet to be implemented. As we have frequently noted, it's one thing to pass a law, it's another to get it carried out. In this case, the Pentagon, the Treasury Department, the IRS, and the OMB have a joint task force that is "working on it."

Early bird

For many years, the Pentagon has published the "Early Bird," a daily compilation of news items, magazine articles, and opinion pieces about the military. Recently, the "Early Bird" staff was told that newsmagazine articles should no longer be included. Could the edict have anything to do with the fact that a few days earlier, *Newsweek* ran a story titled "Rummy's New Headaches," and *Time* had one asking, "Is Rumsfeld Losing His Mojo?"

Warehouse on wheels

Virginia highway officials designed Interstate 81 — it's the main highway through the Shenandoah Valley — to accommodate traffic that is 15 percent trucks. Trucks are now 40 percent of the traffic, reports *USA Today*'s Fred Bayles, who adds that "over the past two decades, the number of long-haul trucks has doubled" and "is expected to double again" by 2020. The reason for the increase is that "just about every company is using the highway system as a rolling warehouse." Wise-guy MBAs tell businesses that to maximize profits, they must minimize inventory. This also causes pressure to be put on drivers to speed and short-change sleep in order to meet delivery deadlines.

Wouldn't it be better if the companies built more warehouses instead of using more trucks and requiring drivers to risk their lives as well as those of the rest of us? That's the Peters solution. Another, perhaps more realistic, approach is to make some traffic lanes trucks-only and others cars-only. At least then, you wouldn't experience the terror of being surrounded by those behemoths.

Heavy water

It seems that Washington's drinking water is laced with lead. "Tests of water in 6,118 homes last summer," reports *The Washington Post*, "found that 4,075 had lead levels that exceeded EPA limits." And there's evidence that the problem existed well before that and should have been known by local officials. One employee of the local authority tried to warn its officials and the EPA of the problem. She not only wasn't listened to, she was fired.

Stay or go

Conceding that Iraq and Vietnam are far from identical situations, there are some similarities that

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deserve attention. One is that we are confronted with a situation where some of the people want us there and some do not. Some of the don'ts feel strongly enough that they are willing to terrorize our troops and our Iraqi allies if we continue to stay. "What you have to understand," a company commander stationed in the Sunni Triangle recently told *The Washington Post*, "is that most of the people here want us dead. They hate us, and everything we stand for, and they will take any opportunity to cause us harm."

Should we stay or leave? It's a tough decision.

If we leave, we will be giving in to the bad guys. And we will have betrayed the good guys, the Iraqi equivalent of the million South Vietnamese who risked their lives in leaky boats to flee the Communists after we pulled out.

If, on the other hand, we stick it out, more of our soldiers will die, as will more friendly Iraqis, as well as those who just get caught in the crossfire. It is going to cost us not only lives, but a bundle of money at a time we can ill afford it. And is there any reason to think that we know more about how to attain our goals in Iraq than we did in Vietnam?

D.C. sur-la-Seine

Last year the District of Columbia's mayor, Anthony Williams, took 30 trips. Among other destinations, he went to Paris, Brussels, Rome, Honolulu, Miami Beach, and Beverly Hills. It seems to me that in light of the daily demonstrations of ineptitude provided by his government, several of which have been recounted here, he should have stayed home, tending to a bureaucracy that would challenge the most gifted public administrator working 24 hours a day, 365 days a year.

One-eyed inspectors

Faulty maintenance was one of the causes of the US Airways crash in Charlotte last year. The sloppy work was done not by the airline but by a contractor. One reason faulty maintenance by contractors is not spotted, reports Scott McCartney of *The Wall Street Journal*: Although 30 percent of maintenance is done by contractors, only 3 percent of the inspections done by FAA inspectors covering airlines look at how well the contractors are doing their work.

Do not deport

Kari Rein is a Norwegian who is married to an American citizen. She and her husband have lived in Williams, Ore., for 15 years. They run a small business and have a 14-year-old daughter and a 7-year-old son.

Recently, as she was returning from a vacation in Norway, Rein was stopped at the Seattle-Tacoma Airport by the Bureau of Immigration and Enforcement of the Department of Homeland Security. Officials told her they had to clear a few things up. "I thought they would let me go in an hour or two," she told Ashbel Green of the Portland *Oregonian*. Instead, her husband and children were ordered to return home, and she was put in jail.

Why? It seems that she had a conviction on her record. Ten years ago, she had been found guilty of growing six marijuana plants. The judge in the case, having determined that she had grown the plants for personal use, and that she and her husband were good citizens, put her on probation. Before and after that episode, her record has been blameless. Her husband has managed to get her out on bail, but only after she'd been taken to court in handcuffs and shackles. The immigration service calls her "an aggravated felon" and still intends to deport her.

When the Immigration and Naturalization Service was made part of the Department of Homeland Security, I warned that simply putting it into a new agency would not solve its problems. It had been a perennial finalist in the competition for the title of Worst Government Agency. Now, instead of being reformed, its worst tendencies seem to have been exacerbated by the Bush administration.

Originality not wanted

Presidential campaigns are usually hard on bold and original ideas. When Howard Dean dared to suggest that something should be done about the inequitable payroll tax, Dick Gephardt immediately attacked him for threatening to wreck Social Security. I'm sure it won't be long before the Republicans, not to mention the odious Ralph Nader, determined to destroy Kerry as well as his reputation, latch on to the fact that John Kerry once dared to criticize the "stifling bureaucracy" of the public schools and call for an "end to teacher tenure as we know it," and Kerry will have to say he didn't really mean it.

Filed away

I'm indebted to Justin Rood, one of the *Congressional Quarterly* reporters who monitor homeland security issues, for this testimony from Robert Garrity, deputy assistant director of the FBI's Records Management Division: "FBI files are currently stored at one of 265 locations, including FBI headquarters, all 56 field offices, many of the larger of our 400 resident agencies, several warehouses around the Washington metropolitan area, and record centers operated either by the National Archives or the Records Technology Center on the East and West coast and at legal attaché offices worldwide."

The result, as you can imagine, is not the click-click, zip-zip, with

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information immediately appearing on the agent's screen that you would expect from television and movies, but "time delays," according to Garrity, that "mount as field office staff search file rooms, and then ship copies of the needed file or a prepared summary to FBI headquarters. This process," Garrity notes with gentle understatement, "dilutes the FBI's responsiveness."

Rummy's flip-flop

Speaking of Rumsfeld, remember how resolutely he clung to his insistence that the Army had enough soldiers to do the job in Iraq. He stoutly maintained that position even when the chaos of post-war Baghdad made it clear to practically everyone else that he was wrong. But finally, in late February, he quietly dispatched the Army chief of staff to the House Armed Services Committee to ask for 30,000 more troops to temporarily increase the size of the Army.

Body armor

Tom Ricks, *The Washington Post*'s excellent Pentagon reporter, recently explored the lessons troops are learning in Iraq. One is about training: "Our troops are in down-and-dirty fights in the streets of the Fallujahs of this country, and mostly the Army still trains for the Big Fight." Another is about equipment. What the troops want is not the high-tech weaponry favored by the Pentagon, but "less fancy new stuff" and more "of the best body armor and screens against RPGs [rocket propelled grenades]."

John Kerry, in a speech last month, pointed out that soldiers and their families are actually using their own money to buy body armor.

A Question for Marjorie

Marjorie Williams, one of my favorite people on the planet, has written a column in the March 7 *Washington Post* that is unremittingly hostile to John Kerry. She calls him "Flipper," a nickname that I have a deep foreboding will be enthusiastically embraced by the GOP. A question for Marjorie and for other liberal journalists: Is this the time to afflict our friend and comfort the enemy? Isn't Bush a far worse threat to everything they care about than Kerry at his worst?

It's not as if the traits Marjorie identifies are such unredeemed failings that they disqualify him from the presidency. Indeed, the same characteristics appear in a considerably more favorable light in an article headed "Kerry Dots Deliberation with Decision" that appeared on the front page of the same edition of the *Post* that carried Marjorie's column. Its author, Laura Blumenfeld, finds that Kerry "researches and analyzes carefully before choosing. He always deliberates, even if only for a second. What differs is how close he is to the ground."

She tells a story of how a plane was plunging towards the Nevada desert. "10,000 feet, 6,000 feet, 2,000 feet and falling. Young Kerry, sitting next to the pilot, reached for the controls. 'Give it to me,' Kerry said, over the screams of the engine," and landed the plane safely. His brother Cameron explained to Blumenfeld: "It's the deadline thing. He is not going to act when he doesn't need to. He's incredibly decisive when he needs to be."

Kerry is a relentless questioner, often playing devil's advocate with his staff—a quality especially esteemed by presidential historians, and the very opposite of George W. Bush, described in *The Price of Loyalty*, who dislikes arguing with himself, who is profoundly incurious, and who does not encourage his staff to provide him with carefully researched alternatives, disliking the kind of debate that would explore options.

Another op-ed appearing the same day as Marjorie's, Bruce Reed's in *The New York Times*, described how Kerry's apparent waffling can simply mean that he sees the merit in both sides and wants his decision to reflect those merits. In the case of welfare reform, for example, this meant voting in favor of reform while making sure the bill included more child-care money and other improvements that would make it more humane.

In addition to Marjorie, I have another close friend, Mickey Kaus, who has become relentless in his criticism of Kerry. One thing he shares with Marjorie is that neither of them knows Kerry. I would urge them to stop and consider the fact that people who know him well have a better opinion of Kerry. This is most significantly true of people who have worked closely with him, from the battlefields of Vietnam to the floor of the Senate, and who have rallied to his cause.

Consider the number of Democratic senators who joined his campaign before the nomination was clinched, and the number of comrades from Vietnam who did the same. When you hear Ted Kennedy speaking about him, you know he's not talking about the same man Marjorie and Mickey see in their minds' eye.

To be sure, Kerry needs constructive criticism during the campaign and thereafter. But it should be accompanied by an awareness that Bush is the only other choice we now have, so that liberal journalists do not do unto Kerry what they did unto Al Gore—such a splendid job of tearing him down that they leave the Republicans little or nothing to add. They should be careful not to make the same mistake twice.

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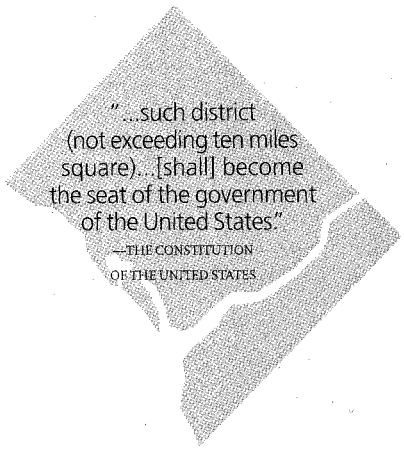
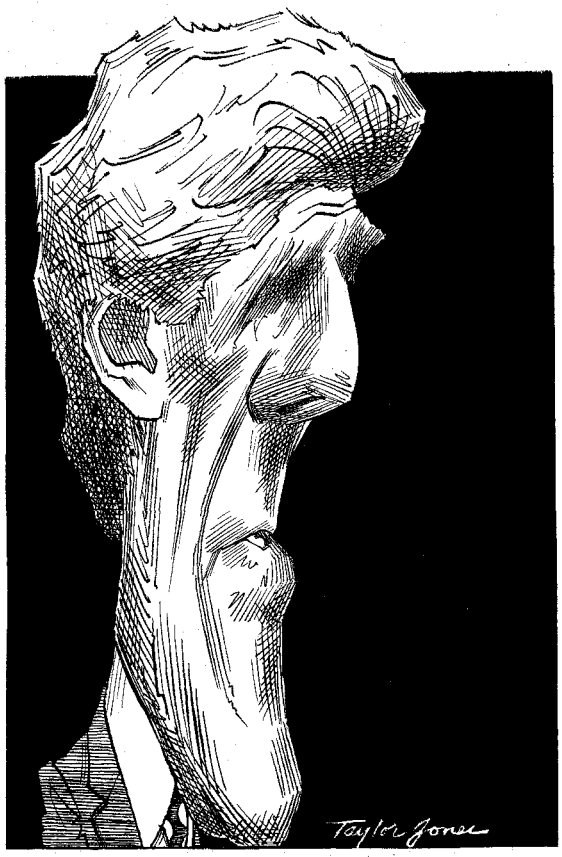
10 MILES SQUARE



Fired Up

The only union that stood by Kerry is now sitting pretty.

By Michael Crowley



John Kerry had many a lousy month last year, but September was particularly grim. Howard Dean had just spent the summer pile-driving Kerry's poll numbers into the ground. Wesley Clark was finally joining the race—in part because Kerry had largely been written off. Even Kerry's hometown paper, *The Boston Globe*, ran a Sept. 16 column titled, "Hard to Pull for Kerry."

But one man pulled for Kerry anyway: Harold Schaitberger, president of the International Association of Fire Fighters (IAFF). Resisting the Dean allure that captured some of Washington's biggest union leaders, Schaitberger insisted Kerry remained the Democrat with the best chance of beating George W. Bush, and on Sept. 24, announced that his union was endorsing the Massachusetts senator.

Endorsing Kerry turned out to be the easy part. As Dean stampeded farther and farther ahead that fall, other union leaders needled Schaitberger with questions like, "How does it feel to be on the Titanic?" But Schaitberger stood firm. Late one night in November, his home phone rang. It was Kerry. "Harold, listen," the battered candidate wearily began. "There's going to be a very bad Zogby poll coming out tomorrow," Schaitberger cut him off. "John, save your energy. You don't have to worry about me." Firefighters honored a code of brotherhood and loyalty, he said. The IAFF would stick with him no matter what the polls said.

That unwavering support proved critical to Kerry's stunning

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comeback. Throughout the primaries, Kerry never missed a chance to offset his stiff patrician image with the blue-collar credibility of firefighters. Kerry appeared at dozens of IAFF-organized "firehouse chili feeds" across New Hampshire, in which he ladled out spicy slop and talked politics with locals. In Des Moines, Iowa, he played hockey with local fighters. And on the night of the State of the Union in January this year, he conducted an ABC interview from a Concord fireman's living room. In both states, hundreds of firefighters also helped turn out voters and post signs. Kerry made no secret of his gratitude. During his victory speeches in Iowa, New Hampshire, South Carolina, and Virginia, television viewers saw the same tall, mustachioed man just over Kerry's left shoulder. That was Harold Schaitberger.

Now Schaitberger is the envy of all those other union leaders who wrote off Kerry and leapt onto the "Dean Express." "He's certainly in the catbird seat," says one official of the AFL-CIO, of which IAFF is a member. "He was right—and nobody else was." Earlier this year James Carville predicted on CNN that a Kerry nomination would make Schaitberger "the most powerful person within organized labor."

A few days before John Kerry delivered his Super Tuesday knockout punch to John Edwards, I stopped by Schaitberger's downtown Washington office to see how he was feeling about his charmed standing. In a reception area hung framed photos of soot-covered firemen, as well as an eerie image of the

Harold Schaitberger, president of the fire fighters union, is now the envy of all those other union leaders who wrote off Kerry and leapt onto the "Dean Express."

World Trade Center ruins with an American flag in the foreground: a reminder of the day that forever changed the emotional force of the word "firefighter."

The first thing I noticed inside Schaitberger's office was a giant "AFL-CIO SUPPORTS KERRY" novelty pin behind his desk; it's the room's center of gravity. Schaitberger himself is a big man with broad shoulders and thick hands. In a pinstriped suit with his silver hair combed back neatly, he has the polished look of a K-Street lobbyist. He sits in an armchair, and when I ask him what he tells those people who once snickered at his support for Kerry, he smiles knowingly. "Sometimes less said is more said."

But Schaitberger isn't usually one to hold his tongue. After Tom DeLay named him in a February 2003 fund-raising letter that accused "union bosses" of "exploiting the war effort to quietly grab more power," for instance, Schaitberger fired back with invective worthy of, well, Tom DeLay: "Frankly, it was deceitful and insulting for you—who chose to battle water bugs and cockroaches during the Vietnam War instead of serving the nation in some useful capacity—to now cloak yourself in patriotism and flag-waving," he wrote. Later, Schaitberger showed me a photograph of himself riding on Air Force One with Bill Clinton, who, like Kerry, enjoyed and profited by the support of the firefighters. Whereas most people boast of giving presidents influential advice, Schaitberger said he was griping to Clinton about various administration policies, and seemed proud of the irritated look on Clinton's face. "What do you think is on his mind? He's thinking, 'This guy comes on my plane and gives me a boatload of crap!'" The notion clearly delighted him.

Schaitberger learned to be fearless the hard way: running into burning buildings. Fleeing a troubled home in the Washington, D.C., suburb of Annandale, Va., at age 17 in 1963, he moved into a local firehouse with the permission of a firefighter who became a father figure to him. "At that point, I knew that's all I wanted to do." When he was 20, Schaitberger lied about his age to meet the county fire department's minimum age of 21, and soon after he was fighting blazes. He says he faced no more danger than any other fireman, but remembers one particularly perilous blind leap through a closed window, his only way out of a burning house.

In the late 1960s, Schaitberger grew active in union organizing. By 1973, he was running the Virginia firemen's union, and a few years later he joined the national union in Washington. He spent 12 years leading the IAFF's political wing, 12 more as the association's

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office chief of staff, and was elected president in 2000. Leading a union of 263,000 members, the 16th largest among AFL-CIO unions, Schaitberger hasn't been as prominent as some other labor leaders. But his early support for Kerry, coupled with the ill-fated endorsements of Dean by Service Employees Industrial Union chief Andy Stern and AFSCME's Gerald McIntee, may change that. Indeed, in March, Schaitberger was named a co-chair of the AFL-CIO's newly-formed 2004 election strategy committee. Kerry's deputy campaign manager, Steve Elmendorf, says, "He's going to be a key surrogate and a key person in terms of our relationship overall with labor."

Important as firefighters were to Kerry in the primaries, they'll mean even more to him this fall.

Their blue-collar credibility should help to blunt the charge that he's a liberal elitist, particularly among working-class swing voters. Their patriotic heroism should also deflect GOP smears that Kerry takes his advice from Jane Fonda. When Bush rolled out ads featuring footage of the aftermath of 9/11, for instance, the Kerry campaign had Schaitberger denounce the ads as tasteless.

Of course, George Bush isn't about to cede the mantle of firefighter's hero. The Bush campaign ad replaying the president's bullhorn speech atop that Ground Zero rubble pile, with his arm slung around a retired fireman, is probably being edited now. "I know that picture very well," Schaitberger says ruefully. Schaitberger says he also fully expects Bush to roll out firefighters for "staging opportunities" at the Republican convention in New York this fall. Such imagery will make Schaitberger's life complicated—especially given that 44 percent of his union membership consists of registered Republicans, people who "tend to be very strong for the military, national defense," as he puts it.

Schaitberger says some of his conservative members grumble about the Kerry endorsement. But he argues that Bush let them down after 9/11, by refusing to deliver enough "resources"—federal dollars, that is—to firefighters nationwide. (Among other things, he says, firefighters are tired of "half-assed, outdated, or uncertified equipment.")

Kerry has promised to use federal money to hire, equip, and train 100,000 new firefighters around the country—a program modeled after Bill Clinton's COPS program for police officers. It's a great campaign plank, but the public-policy benefits are murkier. More than two years after September 11, it's still not clear how much training and equipment is truly needed by local first responders, and measuring the benefit of federal spending isn't easy. It's possible that a President Kerry could reward his firefighter backers by pouring endless federal dollars down a black hole.

Certainly, Schaitberger won't hesitate to let Kerry know if his members aren't getting everything they need. His office is just a short stroll from the White House. The thought brings a grin to Schaitberger's ruddy face: "It won't be very hard to go over and say hello."

Michael Crowley is an associate editor at *The New Republic*.

Born Again

Where government's unpopular programs go to live.

By Josh Benson

When officials at the Defense Advanced Research Projects Agency—the Pentagon office that helped invent everything from the stealth bomber to the Internet—launched a "data mining" project to uncover terrorist plots, it was bound to cause consternation. It wasn't just the program's ominous name (Total Information Awareness), menacing logo (an all-seeing Masonic eye), or disreputable director (Iran-Contra conspirator John Poindexter). The proposed system would tap into commercial and government databases across the country, download every bit of personal information stored—credit card statements, medical records, travel plans, phone bills, grocery receipts—then scan through it all in search of "suspicious" activity. Designed to catch, say, someone flying from the Middle East to the Midwest and then buying a lot of fertilizer, it might finger a farmer vacationing in Jerusalem as easily as it did a terrorist building a truck bomb. Worse, the planned system would have virtually no oversight, no safeguards, and no privacy guidelines to protect the people being snooped on.

"There was no balance," recalls James X. Dempsey, executive director of the Center for Democracy and Technology (CDT), a wonkish Internet policy shop that aims to

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The Washington Monthly's

Monthly Journalism Award

John Kelly

"$58 Million in Property Missing from NASA"
Florida Today
February 16, 2004

A tale of the governmental gothic: NASA, Kelly reports, has simply misplaced $58 million worth of items in the last five years at its offices and stations around the country. The mislaid stuff ranges from "easy-to-pilfer items such as portable computers to the curious disappearance of two 500-pound, ice-making machines."

Other lost stuff included a $324 Blackberry that a NASA administrator lost at a hockey game, and an $850 camera an employee brought to Moscow for a conference with Russian cosmonauts and forgot to bring back.

Though the cost to taxpayers is substantial, Kelly found, it was not out of line with the amount of stuff lost by other governmental agencies. And neither NASA nor other organs of the federal government regularly follow up on lost stuff.

The frustrated, whistle-blowing bureaucrats of this particular scandal are the property control officers. "The Langley culture is, 'Why lock things up, it is a government facility?'" one property control officer at NASA's Langley Research Center wrote in a memo obtained by Kelly.

The Monthly Journalism Award is presented each month to one or more newspaper, magazine, radio, or television stories (or series of stories) that demonstrate a commitment to the public interest. We are particularly interested in reporting that explains the successes and failures of government agencies at all levels and of other institutions such as the media, corporations, unions, and foundations that contribute to the existence or solution of public problems. Please send nominations (including a copy of the article or broadcast text) to The Washington Monthly Journalism Award, 733 15th Street, NW, Suite 520, Washington, DC 20005. Or email us at editors@washingtonmonthly.com.

preserve civil liberties in the digital age. "There were no rules." When the TIA story broke in November 2002, Dempsey mobilized a left-right coalition of libertarian organizations and politicians who had been loose allies for years. Many supported data mining in principle, but felt the unprecedented government surveillance of TIA demanded congressional oversight, and they quickly succeeded in convincing others.

By February of last year, Congress had passed legislation reining in TIA. The administration, desperate to save the program, went into "high damage control," notes Dempsey. Pentagon officials formed showy "privacy advisory councils," testified before Congress extensively, changed the name of the program (to the more innocuous "Terrorism Information Awareness), and even fired Poindexter—but none of it ended the controversy. "No one wanted to defend what the Bush administration was doing," Dempsey says. Last fall, Congress voted to close down the program for good; a House-Senate conference committee declared TIA "terminated." Privacy activists cheered, as did most Democrats and many Republicans. *The New York Times* announced, simply, "Surveillance Program Ends." Thus resolved, the issue disappeared.

But TIA did not. As Dempsey eventually learned, a program can survive even when the media, the public, and most of Congress wants it killed. It turns out that, while the language in the bill shutting down TIA was clear, a new line had been inserted during conference—no one knew by whom—allowing "certain processing, analysis, and collaboration tools" to continue. At the time, Dempsey didn't know what the new language meant.

But the intelligence establishment did. Thanks to the Central Intelligence Agency and the National Security Agency, which had lobbied for the provision, TIA didn't die—it metastasized. As the *AP* reported in February, the new language simply outsourced many TIA programs to other intelligence offices and buried them in the so-called "black budget." What's more, today, several agencies are pursuing data mining projects independent of TIA, including the Department of Homeland Security, the Justice Department, the CIA, the Transportation Security Administration, and NASA. Airline passengers will soon get their first taste of the new technology once a system called CAPPS II goes online, which will sort through passengers' travel histories, rental car arrangements, methods of payment, and destinations to locate "high risk" flyers. And even with TIA ostensibly shut down, many of the private contractors who worked on the program can continue their research with few controls.

Responding to reports that portions of TIA lived on at the Department of Homeland Security, Sen. Ron Wyden (D-Ore.) hauled Tom Ridge before a Senate committee in February and demanded a full account of DHS data mining. So far, he hasn't received a response. But even if Ridge decides to be more forthcoming, Dempsey isn't optimistic we'll ever know the truth about TIA. "One of the true ironies of the whole story is now we have far less transparency and far less oversight of data mining than we had a year ago," Dempsey said. "Now it's all hidden." Which is, of course, precisely what the Bush administration wanted.

Josh Benson is a reporter-researcher at *The New Republic*.

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YPSILANTI, MI 48197
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February 20, 2004

Dr. Gregory Mankiw
Chairman, Council of Economic Advisers
Executive Office of the President
Washington, DC 20502

Dear Dr. Mankiw:

I noticed in the recently released *Economic Report of the President* that there was some consternation in the defining of manufacturing. It could be inferred from your report that the administration is willing to recognize drink mixing, hamburger garnishing, French/freedom fry cooking, and milk shake mixing to be vital components of our manufacturing sector.

I am sure the 163,000 factory workers who have lost their jobs in Michigan will find it heartening to know that a world of opportunity awaits them in high growth manufacturing careers like spatula operator, napkin restocking, and lunch tray removal. I do have some questions of this new policy and I hope you will help me provide answers for my constituents:

Will federal student loans and Trade Adjustment Assistance grants be applied to tuition costs at Burger College?
Will the administration commit to allowing the Manufacturing Extension Partnership (MEP) to fund cutting edge burger research such as new nugget ingredients or keeping the hot and cold sides of burgers separate until consumption?
Will special sauce now be counted as a durable good?
Do you want fries with that?

Finally, at a speech he gave in Michigan this past September, Secretary Evans announced the creation of a new Assistant Secretary for Manufacturing. While I understand that it takes a while to find the right candidate to fill these positions, I am concerned that five months after the announcement no Assistant Secretary has yet been named. I do, however, know of a public official who would be perfect for the job. He has over thirty years of administrative and media experience, has a remarkable record of working with diverse constituencies, and is extraordinarily well qualified to understand this emerging manufacturing sector: the Hon. Mayor McCheese.

With every good wish,

Sincerely,

John D. Dingell
Member of Congress

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WHO'S WHO

Well-connected Washington lobbyist **Jack Abramoff** came into the news lately when it turned out he had collected more than $9 million in fees from various Indian tribes during the past two years, although tribal interests faced little political opposition at that time. (He was dumped by his firm, **Greenberg Traurig**, which cited "personal transactions and related conduct which are unacceptable to the firm." Abramoff responded with a statement noting that Washington lobbying "is different from other areas in the practice of law." Indeed.) But while Abramoff is far from Washington's first corrupt lobbyist, he's among a troika of right-wing operatives who exemplify a more recent trend: the political decadence of late-stage conservatism. Along with anti-tax activist **Grover Norquist** and political consultant **Ralph Reed**, Abramoff came of age at the dawn of Reaganism, helping to stage an early-1980s putsch at the College Republicans that evicted moderates from the group's leadership. Each rose to prominence during the 1990s, Reed as head of the Christian Coalition, Norquist and Abramoff as allies of Reps. **Newt Gingrich** (R-Ga.) and **Tom DeLay** (R-Texas). But like Abramoff, Reed and Norquist have lately hit a few bumps in the road. Norquist was so eager to rally Muslim immigrants to the GOP camp that he famously lobbied to include three American Muslim clerics in the audience when President **George W. Bush** gave a speech proclaiming that "the teachings of Islam are teachings of peace and good"—without telling the White House that all three were known for rabidly anti-American or pro-terrorist rhetoric. Reed spurned God for Mammon, earning tens of thousands of dollars lobbying for Enron up until the company collapsed in late 2001.

Beltway denizens were somewhat surprised when, soon after **John Kerry** officially launched his search for a running mate, a boomlet erupted around vanquished candidate **Richard Gephardt**. After all, neither Gephardt's alleged strength in the Midwest nor his close ties to organized labor prevented him from finishing an anemic fourth in January's Iowa caucuses. So why did the dailies and newsweeklies start bandying his name about as potential veep nominee for Kerry? It can't have hurt that, shortly after Gephardt dropped out, his campaign manager and longtime aide **Steve Elmendorf** signed on to the Kerry campaign as deputy campaign manager.

Speaking of Elmendorf, the Kerry campaign has lately relied on him and campaign strategist **Bob Shrum**—talented political operatives, but not especially telegenic ones—to wage war on the chat shows. But some political reporters and political operatives are wondering why the campaign hasn't put press aide **Stephanie Cutter** or senior advisor **Michael Meehan** on more often. She's a young, attractive single woman; he's a good-looking Irishman. Both appeal to the working-class demographic Kerry hopes to win over.

To those who've been keeping track at home, it was no surprise when the Bush administration dropped renowned cell biologist—and proponent of embryonic stem-cell research—**Elizabeth Blackburn** from the President's Council on Bioethics, in favor of **Diana Schaub**, a political scientist who believes cloning to be "evil." The White House makes a habit of stacking federal agencies and scientific advisory committees with political appointees willing to disregard or manipulate fact when it doesn't comport with ideology. The Union of Concerned Scientists has documented some of the most egregious recent examples. **James L. Connaughton**, former power-company lobbyist and now chairman of the President's Council on Environmental Quality, reportedly requested so many qualifiers and significant changes concerning climate change in the Environmental Protection Agency's June 2003 Report on the Environment that the entire section was cut from the final draft, issued shortly after EPA administrator **Christie Whitman** resigned. When findings from an independent study on the flow of the Missouri River did not fit Bush administration policy objectives, Assistant Secretary of the Interior for Fish, Wildlife and Parks **Craig Manson** authorized a new "SWAT team" of scientists to review the findings. Deputy Assistant Secretary of the Interior **Paul Hoffman** asked the U.N. World Heritage Committee to take Yellowstone National Park off its endangered sites list, despite a report written by the park's professional staff that had cautioned against such a move. In February, **Arthur J. Lawrence**, a deputy assistant secretary at the Department of Health and Human

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Services, reworked an HHS report to downplay evidence of racial disparities in health care. Under the supervision of **Jeffrey Holmstead**, the EPA's assistant administrator for air programs, a dozen paragraphs in Bush's recently-proposed legislation on mercury pollution resembled or duplicated memos from leading D.C. corporate environmental law firm, Latham & Watkins, for whom Holmstead and his chief counsel, **Bill Wehrum**, had previously worked. And the Food and Drug Administration, whose advisory committee for reproductive-health drugs is chaired by anti-abortion activist **W. David Hager**, postponed this month their approval for over-the-counter sales of an emergency contraceptive known as "Plan B," despite findings from the agency's scientific advisory panel that the pill is safe and effective.

Add **Karen Weldon**, daughter of Rep. **Curt Weldon** (R-Pa.), to the list of congressional sons, daughters, spouses, and in-laws whose lack of credentials, experience, or expertise hasn't stopped them from enjoying lucrative careers as government lobbyists. Among the 29-year-old Weldon's clients, the *Los Angeles Times* recently reported, are **Dragomir and Bogoljub Karic**, members of a wealthy Serbian family with close ties to famed ethnic-cleanser **Slobodan Milosevic**. Thanks to Rep. Weldon's efforts, the two brothers are given special attention by the State Department. For those keeping track at home, others on the list include **Ben Stevens** and **William H. Bittner**, the son and brother-in-law of Sen. **Ted Stevens** (R-Ala.); **Rory Reid** and **Steven Barringer**, the son and son-in-law of Sen. **Harry Reid** (D-Nev.); **John Breaux Jr.**, son of retiring Sen. **John Breaux** (D-La.); **Chester T. "Chet" Lott Jr.**, son of Sen. **Trent Lott** (R-Miss.); **Joshua Hastert**, son of Rep. **Dennis Hastert** (R-Ill.); and **Scott Hatch**, son of Sen. **Orrin Hatch** (R-Utah). Never go against the family!

Watching the 2004 campaign shape up couldn't have been easy for Sen. **Russ Feingold** (D-Wis.). Thanks to the campaign finance legislation that bears the senator's name—along with that of Republican Sen. **John McCain** (Az.)—Feingold's party has scrambled desperately to raise money for the fall elections, while President Bush has broken fundraising records without a sweat—a disparity, we're told, that has caused a few spats between Feingold and his colleagues during Democratic caucus meetings. But when Kerry visited Capitol Hill in March for a unity meeting with Senate Democrats, Feingold didn't say a word as Kerry explained how left-leaning 527s—which many reformers, including Feingold, believe unlawfully circumvent 2002's reform law—would help keep pressure on Bush from now through the Democratic convention.

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Vision Quest

How John Kerry can create jobs by taking on K Street.

By Paul Glastris

Listen to a speech by John Kerry, and you're likely to hear him vow to take on "Big Oil" and other "powerful interests that stand in your way." This is the signature language of his chief campaign consultant, Robert Shrum, who penned similar populist rhetoric for Al Gore in 2000. Democratic rhetoric of this sort has tended to vilify the rich as a class and corporations in general, but failed to get much traction with voters, for the simple reason that most Americans work for corporations and would like someday to be rich.

Listen a little closer, however, and you may pick up a subtle but important difference in the Shrumian phraseology this time. Unlike past Democratic hopefuls, Kerry more pointedly distinguishes who he thinks the bad guys are: not corporations or the rich per se, but "lobbyists," "the privileged," and others who "cut corners and break laws and get special benefits, while those who do what's right get the short end of the stick." This terminological difference is very good news for anyone who wishes the senator well in November. Kerry is signaling one of the real problems before this country: the increasing power of Washington's crony capitalists. As this magazine has pointed out (see "Welcome to the Machine," by Nicholas Confessore, July/August 2003), the K Street lobbying community, which once played (and corrupted) both sides of the political aisle, has in the last few years formed a virtual phalanx around the GOP and George W. Bush, and the lobbyists' wish lists form the essence of that party's agenda. Bush has been perfectly open about his association with these groups, and the mischief that at least some of them have caused is clear to the vast majority of the public. Kerry needs only mention "Halliburton" or "Enron" to make the point.

Kerry's populism, then, is not the kind likely to alienate middle-class voters. Far from it. Rather, his real Achilles' heel is his lack of a theory of how he would create jobs. He talks a lot about how to preserve existing jobs—for instance, by taking away tax breaks that enable "Benedict Arnold" corporations to outsource work overseas. There's nothing really wrong with such ideas. But the emphasis on them boxes him in. Too much talk about protecting existing jobs, and you begin to sound like a protectionist whose policies would actually reduce overall employment.

By contrast, George W. Bush does have a theory of how to create jobs: Cut taxes to put more money in people's pockets, so they'll spend it and create demand for new hires. Yes, it's a dumb theory. Yes, it's been tried twice in the last three years and demonstrably failed. But that does not completely subtract from its surface plausibility. And anyway, when you're running for office, even a dumb theory is better than no theory at all.

It is worth noting that the last Democrat who took on a sitting president named Bush had a theory for how he was going to expand employment. During the 1992 campaign, Bill Clinton argued that for the previous 12 years, the Republicans had allowed the Japanese to pummel American industry. If he became president, Clinton vowed, he would use trade agreements to force open other countries' markets for American goods, while helping American workers obtain the extra training they needed to fill those high-paying export-driven positions. Soon after being elected, Clinton added another component to the theory: that cutting the federal deficit would lower interest rates, which would raise incomes, spur investment, and lead to the creation of jobs. Whether or not you credit these policies with producing any of the 22 million jobs created on Clinton's watch, there's no denying the fact that he had a theory, and that voters understood it.

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If he hopes to win, John Kerry needs a theory, too. Though Clinton's may still have some merit, these are different times. Bush's doesn't work, and, anyway, it's taken. Fortunately, Kerry's own populist rhetoric points directly to an untapped but promising theory of job creation: take on the Washington lobbyists.

Wiring every home and business to fiber-optics could spark an economic renaissance; it could be the 21st century equivalent of the Louisiana Purchase or the interstate highway system. Which is to say: It will take vision, money, and political will—especially to face down those industry groups which prefer to keep things as they are.

The Book of Jobs

President Bush and his defenders argue that the administration can't be blamed for the decline in employment and the slow pace of job creation over the last three years. And there's something to that. It was inevitable that the end of an historic boom should be marked by a contraction of the labor market. Presidents have only so many levers they can pull to stimulate growth and employment, and the Bush administration has pulled all the obvious ones. It has vastly increased government spending, largely in defense and homeland security, jawboned down the value of the dollar to help American exports, supported Alan Greenspan's low interest rates policy, and pushed through two massive rounds of tax cuts. Democratic critics point out that the tax and spending initiatives could have been enacted in such a way as to produce more jobs. Larger breaks for middle-class families rather than the wealthy might have been more stimulatory and less detrimental to the nation's long-term fiscal health. The billions spent in Iraq might have gone to keep state governments from purging their payrolls. These are valid points; had we followed the Democrats' advice, there's a good argument that we'd be in a substantially better economic position now. But, we'd probably still be facing a dearth of jobs.

In the long run, what creates new work opportunities is innovation: new technologies, new products and services, new designs, new markets, new ways of reaching customers. There are many ways in which government can enhance or retard the economy's ability to innovate. Neither party is focused on this right now, but it's really what the campaign debate on the economy should be about.

Traditionally, government has done the most to stimulate innovation when it has used its power to open up new economic opportunities and made it easier for individuals and firms to take advantage of them. Probably the greatest job creation program in the history of the Republic was Jefferson's Louisiana Purchase: Government used its unique buying power to acquire new land, on which individual frontier families carved out farms. But there are many other examples. Lincoln's creation of the land-grant college system provided farmers with productivity-enhancing techniques to increase their yields. The GI Bill gave working-class veterans the education they needed to enter the emerging knowledge economy. The expansion of the suburban economy—from single-family home subdivisions to office parks to minivans to fast-food restaurants—was made possible by the creation of the interstate-highway system. The web economy owes its very existence to the Defense Department's creation of the Internet.

But government power can also be used to dampen innovation, most often when interest groups prevail upon lawmakers to give them special protections. Unions famously act this way—by insisting, for instance, on complex work rules that limit management's ability to impose efficiencies. But industry trade groups can play the game, too. For decades, trucking company lobbies defended complex federal regulations that set hauling prices and routes and limited competition. After those regulations were eliminated, beginning in 1980, not only did transportation prices plummet and service improve, but trucking-dependent manufacturing and retail companies were able to put in place "just-in-time" inventory systems that revolutionized their industries.

Today, certain key sectors of the economy ought to be producing millions of jobs but are not, for the same reason: Their Washington lobbies are protecting them from the need to innovate. One such area is broadband. For the last half-dozen years, telecommunications analysts have been predicting that once a sufficient portion of American households get high-speed Internet connections, entire new modes of work will be born to take advantage of the fantastic new opportunities afforded by the bandwidth. Customers will be able to download movies on demand, play video games online, make long-distance phone calls virtually for free. But this access is spreading much more slowly than anyone expected, especially when compared with other countries. Just four years ago, the United States had the world's third highest rate of broadband penetration. Today, we are tenth. That's a rather depressing figure for the nation which invented the Internet, and a terrible one for our economy, since it means not only that we are deprived of new jobs now, but also that our competitors are getting a jump on creating the industries that will produce jobs in the future.

How did this happen? The Clinton administration was almost maniacally focused on spreading the Internet, succeeding, among other achievements, in getting

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most of the nation's schools and libraries wired. It also passed legislation in 1996 to spur the spread of the Internet by forcing the regional phone companies to compete for customers with independent firms that were given the right to lease the phone companies' own lines in order to deliver high-speed service. This regulatory scheme worked for a few years. But the Baby Bells soon became adept at blocking competitors' access to their lines. (See "Disconnect," by Karen Kornbluh, October 2001.) And when the competitors complained to the federal government, they did not get much sympathy from the newly-elected Bush administration. Instead, its freshly-inserted FCC chairman, Michael Powell, freed the Baby Bells (which are, surprise, surprise, major GOP contributors) from having to share their lines at all. Powell argued that this would give them more incentive to invest in broadband, and that there was sufficient competition from cable companies, which also sell broadband access. Yet broadband prices have not gone down, and America continues to fall behind the rest of the world.

Another sector of the economy that has been producing innovation and jobs at levels seemingly far below its potential is medicine—particularly the pharmaceutical industry and biotech, which just a few years ago seemed poised to take off. Billions of dollars of taxpayer-funded research had opened up new vistas for drug companies to explore (most prominently the decoding of the human genome). Meanwhile, Congress loosened some FDA testing requirements, thus easing industry's ability to bring important new drugs to market quickly. Yet the number of truly innovative new drugs approved by the FDA annually not only failed to rise, but has fallen precipitously since the mid-1990s.

There's a running debate as to why this is so. Scientists point out that translating the revolutionary new knowledge coming out of university labs about the molecular structure of disease into specific drug therapies has been harder than expected—a fact which may indeed explain why the number of new therapies hasn't skyrocketed. But why has the number, in fact, fallen? Industry's explanation is that the "low-hanging fruit" has already been picked: We've found most of the simple chemical compounds that interact with the enzymes and molecules we know the most about.

There are reasons to be skeptical. Industries innovate not so much because they want to, but because they must to survive. The pharmaceutical industry, however, has figured out ways to profit without big new discoveries, thanks to the innovations of their Washington lobbyists. First, the industry's trade groups convinced the FDA in the late 1990s to ease regulations on advertising drugs directly to the public. The result: the explosion of drug company ads you see on TV and in magazines. This has done wonders to create new demand for existing drugs. But it's also diverted billions of dollars into industry marketing budgets, leaving less for research. Second, the companies have mined loopholes in federal patent regulations. They've slightly tweaked existing drug formulas (not necessarily producing any superior medicinal effects) to gain patent extensions on existing drugs or repatent them as "new." Indeed, the percentage of these so-called "me-too" drugs has increased, while the percentage of legitimately new medications has gone down.

But perhaps the biggest hindrance to pharmaceutical innovation is the explosion of patents at the "upstream" end of the research process. In 1980, Congress passed the Bayh-Dole Act, making it much easier for universities to patent discoveries arising out of their labs, the better to get those discoveries to market. The act has done much good. The universities have fattened their budgets by licensing such discoveries exclusively to pharmaceutical and biotech firms, which in turn have used the licenses to attract investment capital. The problem is that many of the patented discoveries—from new DNA sequences to genetically-engineered lab animals—are now tools that other scientists require to do their own basic research. It's extremely costly and cumbersome for scientists to apply for and acquire permissions to work with the several dozen patented discoveries that may be required for a given course of research. Leading scientists, such as former National Institutes of Health chief Harold Varmus, fear that the proliferation of "upstream" patents is hindering innovation.

Biomedicine and high-speed Internet are not your average industries; they're crucial choke points on the road to prosperity. America has a significant competitive advantage in the biotech area. Broadband can make possible the creation of whole new high-tech industries. Anything that threatens the vitality of these fields of commerce threatens the country's economic future.

Calvin Klein is busing your table

Of course, no one can really predict an economy's path. If the past is any guide, most new jobs will come from businesses and industries we haven't imagined, at the hands of entrepreneurs of whom no one has yet heard. Somewhere out there, toiling away in a university lab or clerking at a Dress Barn, is the next Bill Gates or Calvin Klein. Government can't pick these people out in advance. But it can create conditions that make it more or less likely that they will take the entrepreneurial plunge.

Politicians who talk about helping entrepreneurs usually focus on easing regulations or reducing the cost of capital. These are not unimportant considerations. But anyone who has contemplated leaving a job to start a new venture knows that there is perhaps no greater obstacle than the fear of depriving one's family of health insurance.

Virtually all of our economic competitors provide universal health insurance, so their citizens don't have to

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face this dilemma. Americans do, thanks to the concerted efforts of Washington interest groups which over the years have derailed every legislative attempt to provide universal coverage—remember the "Harry and Louise" ads paid for by the insurance industry that helped kill Bill Clinton's health reform legislation in 1995?

We've managed to maintain a dynamic economy for many years despite this coverage deficit, but that might not be so easy in the future. Skyrocketing health-care costs are already a serious disincentive not only for companies to hire workers, but also for employees to quit in order to try something new.

The fragile, jobless recovery; the outsourcing of the service industry; the resurgence of our European competitors; the overhang of debt: These are troubling indications that America's economic pre-eminence is at risk. As with so much else, Washington is both the problem and the solution.

Policies in Washington tend to stem from either the party in power's siding with a favored trade group or, just as often, an acceptable deal being struck between competing interests. This often leads to bad economic policy because, almost by definition, the most economically crucial interests seldom have a seat at the table. Most new jobs and growth, after all, come from fresh enterprises and emerging industries that, for the most part, haven't gotten around to opening fancy government affairs shops on K Street.

This natural Beltway tendency to bow to established interests can sometimes be overcome. But it almost always takes a president with a vision of where the economy can and should go, and a willingness to crack some heads to get there.

John Kerry shows signs of having such a vision, at least in one area: the environment. He argues passionately and persuasively that stricter environmental laws, far from being job killers as industry groups say, can spur new, cleaner technologies—more fuel-efficient cars, for instance—that our companies can sell to increasingly eco-friendly foreign markets, creating jobs in the United States.

But Kerry needs to expand his range. He should call for accelerating the spread of high-speed Internet by forcing more competition among existing players. He'll also need to clear a path for new technologies to enter the field. The most promising way to spread broadband quickly is through some version of the wireless technology that now allows yuppies sitting at airports and coffee shops to surf the web on their laptops without plugging into a phone line. But for wireless broadband to cover the whole nation, government will have to free up some of the high-quality, publicly-owned spectrum that TV broadcasters are currently sitting on, aren't using and don't need. The broadcasters won't give up that spectrum without a fight. Nor will phone and cable lobbyists welcome the new competition.

Ultimately, neither wireless, nor phone lines, nor any of the other currently available means of delivering broadband are as promising as fiber-optic cables, which can transmit many times more data. Wiring every home and business to fiber-optics could spark an economic renaissance; it could be the 21st century equivalent of the Louisiana Purchase or the interstate highway system. Which is to say: It will take vision, money, and political will—especially to face down those industry groups which prefer to keep things as they are.

Similarly, the pharmaceutical and bio-tech industries need to be stripped of the regulatory privileges that have allow them to prosper without innovating. A top-to-bottom reform of patent laws could go a long way towards restoring the jobs-producing ability of this sector.

We might also consider the idea suggested by, among others, Shannon Brownlee of the New America Foundation that the federal government run its own clinical trials to test whether "me-too" drugs for which companies are seeking patents truly work better than older versions of those drugs.

Finally, the time may have come for a final showdown with the doctors, insurance companies, and other groups that have blocked universal health care. It's a moral outrage that millions of Americans lack health insurance. But it is just as outrageous that tens of millions of Americans are stuck in jobs they consider unrewarding—whether sweeping floors or debugging code—when, but for the fear of losing their health coverage, they could be following their dreams and taking a shot at making themselves and the country richer.

One can already sense that there's something tectonic about the upcoming presidential election. In foreign affairs, the candidates are engaged in a fundamental debate about how America will use its power in the world. But the economic stakes are just as great. The fragile jobless recovery; the outsourcing of the service industry; the resurgence of our European competitors; the overhang of debt: These are troubling indications that America's economic preeminence is not necessarily secure.

As with so much else, Washington is a big part of both the problem and the solution. John Kerry's been in D.C. a long time. He's now adopting the right rhetoric. What's hard to tell is whether that rhetoric is just a means of connecting with voters, or the sign of a deeper vision. ◆

Research assistance by Jason Stevenson, Roger McShane, Kathryn Williams, and Alexander S. Kirshner.

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Dire Straights

Why outlawing marriage for gays will undermine marriage for all.

By Jonathan Rauch

In 1995, not even nine years ago, my father advised me to stop writing about gay marriage. Whatever its merits, he said, the idea was so farfetched, so out there, that I would look foolish harping on it. "Ain't gonna happen," he said. I wouldn't, at that time, have bet against him. But in the past nine months, the world has turned on its axis. First, the U.S. Supreme Court overturned state bans on sodomy, in terms that ringingly affirmed the dignity of gay couples. Then the Massachusetts' Supreme Judicial Court ordered that, effective in May, same-sex marriage will be legal in that state. San Francisco, in apparent defiance of state law, began issuing marriage licenses to gay couples. Several other cities, at least briefly, did the same. President Bush called for the U.S. Constitution to be amended to ban gay marriage. Around the country, on every side of the argument, necks ached from cultural whiplash. I know mine did.

Through it all, seekers favoring calm and compromise have held to what they see as a middle way. Why insist on gay marriage, with all the religious and cultural baggage that the word "marriage" carries? Instead, give gay people some of the legal benefits of marriage, maybe eventually all of the benefits, but under separate statutes. John Kerry, the Democratic presidential nominee, spoke for much of the country when he said he opposed gay marriage but favored civil unions. Here, surely, was a way out... Right?

Alas, no. The proponents of civil unions deserve all praise for their effort to accommodate the very real legal needs of committed same-sex couples; and certainly, from a gay point of view, partner programs are much better than nothing. But think for a moment about the photos streaming back from San Francisco, photos showing the unbridled joy gay couples took in getting married—not civilly united, but married. No similar euphoria or outrage greeted Vermont's landmark approval of civil unions in 2000. The newlyweds in San Francisco and their family and friends, and the San Francisco drivers who honked in support or yelled in derision as couples emerged from city hall, and, for that matter, everyone who saw the images on TV—all felt instinctively and powerfully that there is something special, something unique, about marriage.

Their feeling was correct. There is no substitute for marriage, and trying to concoct one is a hazardous business. Civil unions and other forms of non-marital partnership cannot give gay couples the essential social benefits of marriage, even if the legal benefits are comprehensive. Conservatives may argue that allowing gay marriage endangers matrimony for straights; in fact, creating alternatives to marriage, such as civil unions, is far more likely to undermine the institution of marriage. Both for gays and for society, only marriage will really do. Only marriage is marriage.

Brooklyn Bridge of social engineering

For most people, marrying, especially for the first time, is a very big decision. Not for everyone: Some people exchange vows in Las Vegas as a lark. But for most, getting

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married is a life-changing event, one which demarcates the boundary between two major phases of life. Why should marrying be such a big deal? Partly because the promise being made is extraordinary. That answer, however, begs the question. Why do people take this promise so seriously? The law has made it ever easier for two people to marry, no questions asked, no parental approval needed, no money down. Divorcing is easier, too. Under today's laws, young people could casually marry and divorce every six months as a way of shopping around, but they don't. Most people can expect that marriage will result in parenthood, and parenthood is certainly a momentous thing. Yet even people who, for whatever reason, do not want or cannot have children take marriage seriously. So the questions remain. Why do we see marrying as one of life's epochal decisions? What gives the institution such mystique, such force?

I believe the answer is, in two words, *social expectations.*

When two people approach the altar or the bench to marry, they approach not only the presiding official, but all of society. They enter into a compact not just with each other but also with the world, and that compact says: "We, the two of us, pledge to make a home together, care for one another, and, perhaps, raise children together. In exchange for the caregiving commitment we are making, you, our community, will recognize us not only as individuals but also as a bonded pair, a family, granting us a special autonomy and a special status which only marriage conveys. We, the couple, will support one another. You, society, will support us. You expect us to be there for each other and will help us meet those expectations. We will do our best, until death do us part."

In every marriage, social expectations are an invisible third partner. Friends, neighbors, parents, and in-laws heap blessings and congratulations on newlyweds, but their joy conveys an implicit injunction: "Be a good husband or wife. We're counting on you." Around the pair is woven a web of expectations that they will spend nights together, socialize together, make a home together—behavior that helps create a bond between them and makes them feel responsible for each other. ("It's one a.m. Do you know where your spouse is?" Chances are you do.) Each spouse knows that he or she will get the first phone call when the other is in trouble or in need, and each knows that the expected response is to drop everything and deal with the problem.

A wedding is not just a social occasion; it is a whole social technology. A few people (my sister, for one) hold private weddings with, at most, a handful of guests, but even the most private wedding involves not two people, but three. Two people cannot marry each other; they must marry before a member of the clergy or a magistrate or clerk—someone to be the eyes and ears of society. In that sense, all weddings are public. If two people say their vows in the forest, with no one else around, they are not really married at all. Most weddings, of course, are not just public ceremonies but major events as well. The most important people in the partners' lives—their families above all—are invited, and many of them come, sometimes traveling across the country or the world. The partners want to affirm their commitment not just in each other's eyes but also in the eyes of the people who matter most. Each implicitly says to the other: "All of these people—my family, my friends, and your people, too—have heard my vow. That tells you I meant what I said." Often, though, it is the parents, especially the mothers, who want a really big wedding. The pride they express in their children's matrimony is another subtle—maybe not so subtle—way to say, "We have a stake in this union, too." A hundred witnesses, five hundred, they all hear the couple express their commitment. The presence of the guests, their joy, their smiles and snuffles, stamp the day as a rite of passage. The vows are sealed by the tears of the mothers in the front row, tears that tell the couple and the world, "This promise is important. This promise is like no other."

After the wedding come countless smaller gestures of community recognition and community interest. From now on, invitations arrive addressed to two people, not just one. Polite people do not neglect to say, "Give my best to your husband" or "How's the wife?"—casual reminders that, in the world's eyes, you're attached to somebody. If things go badly, expressions of concern and sometimes gossipy chitchat ("Why does she put up with that cheating bastard Frank?") quietly reinforce the community's stake. Anniversary parties bring together friends and family to celebrate that the marriage is intact (no awkward questions asked). The magic of marriage is that it wraps each partnership in a dense web of social expectations, and uses a hundred informal mechanisms to reinforce those expectations.

Why the elaborate web of rituals and expectations? Why turn marriage into the Brooklyn Bridge of social engineering? The answer isn't obscure. Committing to the care and comfort of another for life is hard. Some couples can stay in love romantically forever, and good for them. Some couples find that devotion and self-abnegation come easy. For most ordinary mortals, however, love and altruism aren't always enough. Community begins where love leaves off. Community—our desire not to disappoint our parents and in-laws and friends, our hunger for status, our concern for reputation—can never make marriage easy; but, for many of us, it does make marriage easier. It reminds spouses, during the rough patches, of what they mean to each other, by reminding them of what their marriage means to the people who love them. That is why it is entirely appropriate that married people enjoy special social standing. They are doing something difficult, and they are doing it not only for their own sake and their children's, but for the good of the community. The community owes them a debt.

To work best, marriage needs to be understood as a special commitment and a distinct phase of life. Brides and grooms must feel that when they say the vows, they are not just reciting poetry but crossing a boundary. To achieve that effect, marriage needs clarity, uniqueness, and universality. We can't confer a special status on marriage unless we know who is married. We can't preserve marriage's mystique if marrying is just one of many arrangements people make to express their fondness for each other or to link their bank

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accounts. And we can't preserve marriage as a norm if only some people can marry. If you want to damage marriage, then blur its boundaries, surround it with competitors, and riddle it with carve-outs and exceptions. While you are at it, unbundle the rights from the responsibilities. Give some people the prerogatives of marriage without asking them to make the Big Commitment, and give other people the burdens of marriage without giving them its special status. Which brings us to marriage-lite.

Free-market marriages

Domestic-partner programs, as they are generically called (although the ones that more closely resemble marriage are often called civil unions), are hard to generalize about, because they can take many forms. That, in fact, is one of the problems with them, and is a key way in which they differ from matrimony: Whereas civil marriage is a standard package whose terms are well understood and widely accepted, a domestic-partner program can be anything its sponsor says it is.

Who qualifies as a partner, as opposed to, say, a roommate? There is no standard definition. To cope with that problem, two states and more than 50 cities and counties have established some kind of domestic-partner registry. In some cases—not all, since, again, there is no standard—the registries "allow same-sex couples to obtain certain rights and benefits traditionally associated with marriage, such as hospital and jail visitation, child-care leave, and certain parental rights," reports the Human Rights Campaign. Employers may choose to accept public registration, where available, as proof of being coupled, and they can also set terms of their own. Vermont and California have enacted broad partner programs that look a lot like marriage, although they confer none of the many federal benefits. Like marriage, these state-recognized unions can be fairly hard to get out of, requiring divorce proceedings. On the other hand, many partner programs can be terminated virtually at the drop of a hat, sometimes on the say-so of only one partner. Until California reformed its program recently, either party could unilaterally mail in a form saying, "I, the undersigned, do declare that Former Partner_____ and I are no longer Domestic Partners." No fee, just use certified mail.

So there is quite a spectrum. Marriage-lite can be a lot of things. The one and practically only thing it reliably is not, indeed, is marriage. However close a domestic-partner program may come legally, it is no substitute for the genuine article. That is because marriage is more than a package of benefits that happen to have been bundled together for convenience's sake. It adds value by bringing to bear the weight of social expectations that to marry is to commit. Everyone knows to expect married couples to be there for each other. Will people know what to expect of a domestic partnership, that newfangled invention of political activists and human-resources departments? Marriage-lite may have all of the bonding power of marriage, or it may have only some, or it may have none, depending on how seriously society and the partners take it. For myself, I cannot imagine my mother sobbing with joy and relief as she says, "Thank goodness, Jon has finally found a domestic partner."

AMB pact (Anything But Marriage)

Civil unions do, of course, appeal to a wide variety of groups. Many moderates and liberals support domestic partnership programs, not because they oppose gay marriage, but because they worry that the country may not be ready to embrace it, especially in a presidential election year. Many also see civil unions as a way station en route to gay marriage. I have some sympathy for their position. If the only two choices were between domestic-partner programs for gay couples and nothing at all, I would certainly take the domestic-partner programs. But I make this statement with trepidation. For gay people, civil unions and the like are a seat at the back of the bus, a badge of differentiation and inferiority pinned on every same-sex union.

Moreover, moderates who embrace civil unions as a compromise position are probably also failing to consider how the AMB pact (Anything But Marriage) will backfire—is in fact already backfiring—against marriage. Indeed, there is another group that supports civil unions in part because they understand how such halfway designations have the potential to undermine the unique status of matrimony. They are no friends of marriage. They view it as stifling if they are libertines, archaic if they are radicals, patriarchal if they are feminists, and often as all of the above. Most of them would say marriage takes much too narrow a view of what constitutes a family. The privileging of marriage—the special standing marriage enjoys—is precisely what they oppose. The alternatives-to-marriage movement wants the government to stop picking and choosing among relationships and lifestyles, and it views domestic-partnership programs—for gays and straights alike—as a foot in the door. Instead of having to decide whether to jump across a boundary society sets for you (marriage), what if you could just pass from one sort of arrangement to the next, with society adjusting to whatever boundaries you set as you go along? Wouldn't it be nice if there were a halfway house? A way to get health insurance without having to say "till death us do part"? Actually, a lot of people, gay and straight, would like a halfway house: or, to be more blunt about it, a free ride. Throughout most of history, society has been smart enough to deny it to them.

Civil unions would not pose such a threat to marriage if domestic-partner benefits were limited to homosexuals, who, after all, can't marry. The benefits should be so limited. The question is: Can they be? The answer is, generally, no. Say you are a corporate human-resources executive. Your business has established a domestic-partner program for gay employees. One day you receive a delegation of straight workers, maybe under the auspices of the union. They say they have partners but happen not to be married. They want partner benefits, too.

"Well," you say, "you have the option of marrying."

You're right, of course. But you already sense you're on thin ice. The answer—you can see it coming—is indignant:

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"Who are you to tell us how to run our personal lives? You mean that, to get equal treatment, we have to sit here and explain the many good reasons why we have chosen not to marry? Since when did working here mean letting you invade our privacy and judge our relationships?" You can see where this conversation goes. Gays lose partner benefits or, more likely, straights get them.

Matters are no different in the public sector. Politicians follow the votes, and most of the votes in America belong to heterosexuals. When gays get a benefit, straights want it, too, and there are many more of them. Consider the political calculus. On the left, reformers want to subsidize alternatives to marriage. In the middle, unmarried straights like the idea of new benefits (why not?). Gay groups figure the surest way to get and keep partner programs is to give the straight majority a stake in them. The right's main concern is blocking marriage for homosexuals.

No surprise, then, to learn that most partner programs in America are in fact open to both same-sex and opposite-sex couples—about two-thirds of them, according to the Human Rights Campaign, which keeps tabs on public and private programs. As of the end of 2002, nine states, the District of Columbia, and 140 municipalities and other local government agencies offered domestic-partner benefits (including at least health insurance); 70 percent of those programs were open to both gay and straight couples. Among the Fortune 500 companies, 154 offered domestic-partner programs, of which just over 60 percent were open to straight couples. The Human Rights Campaign finds that the number of employers providing domestic-partner health benefits has been growing by roughly 20 percent a year since 1999, and about two-thirds of the programs are straight-inclusive.

Moreover, political pressures being what they are, some jurisdictions have passed "equal benefits ordinances" *requiring* that partner programs be "nondiscriminatory" (that is, open to heterosexual couples), and court and administrative rulings tug in the same direction. In 1996, the city of Oakland, Calif., set up a gays-only partnership program for city workers. The city tried to hold the line, but it was finally forced to admit unmarried heterosexuals when the state labor commissioner ruled that excluding them constituted illegal discrimination. In Santa Barbara, the city attorney likewise opined that gays-only benefits were illegal, and the city extended its program to include opposite-sex unmarried couples.

As partner programs multiply and lose their exotic air, more heterosexuals will sign up for them. According to the Human Rights Campaign, the number of people on the health-benefits roster grows by 1 percent when partner benefits are granted only to gay couples but by 3 percent when the benefits are opened to straight couples—suggesting that roughly two-thirds of the participants are heterosexual. That should not be surprising. There are many more straights than gays. So what we are talking about is not a hypothetical slippery slope toward heterosexual marriage-lite. The slide is already under way, here and now.

Survival of the committed

In response, conservatives might say, "You're right! There is only one solution. Stop the partner programs. The way to protect marriage has got to be: no same-sex marriage, no domestic-partner programs, no nothing. Gays will just have to cope on their own." No good. Worse, in fact.

Domestic-partner programs are not the only competitor to marriage, nor are they even the most important. More common and more destabilizing—and open to gays and straights alike—is cohabitation. If gay couples are denied both legal marriage and domestic partnership, they will just live together outside of marriage, as many are now, but rightly enjoying even more social recognition. They will come to the office holiday party together and house-shop together and entertain together and, perhaps, raise children together, all of which will bolster the status of cohabitation as a respectable, and in many ways equivalent, alternative to marriage. Over time, as society makes room for unmarried but devoted same-sex couples, custom and law will start providing cohabitants with many of marriage's benefits—only without the bother of formal commitment, legal responsibilities, or a messy divorce. Many heterosexual couples, including many with children, will be only too happy to take that deal. Just such a trend is already well along in Canada and a number of European countries, where the legal and social boundaries between cohabitation and marriage are quickly blurring.

The trend toward social recognition of same-sex couples is past stopping. The pending question today is whether to bestow society's blessings on marriage or on something else—marriage-lite or socially approved cohabitation or, most likely, both. Already, in America, if you want to get together with someone, and depending on where you live or work, you can have cohabitation, employer domestic-partner benefits, public domestic-partner benefits, marriage, or even covenant marriage (a version of marriage which is harder to get into and out of). At this rate, marriage may become merely an item on a mix-and-match menu of lifestyle options, a truffle in the candy box. It might even become the preserve of the old-fashioned. "Oh, you're getting a *traditional* marriage? Isn't that charming!"

Marriage is durable and, one way or another, will survive, even in a world of proliferating alternatives. What seems incontestable, however, is that empowering a bunch of competitors cannot do marriage any good, especially if the competitors offer most of the benefits with fewer of the burdens. If marriage's self-styled defenders continue along the path toward making wedlock just one of many "partnership choices" (and not necessarily the most attractive), they will look back one day and wonder what they could possibly have been thinking when they undermined marriage in order to save it from homosexuals.

Obviously, there is another path forward, one that reinforces rather than corrodes marriage's unique status. Let everybody marry. ◆

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Euro Brash

Why George W. Bush takes orders from Pascal Lamy.

By Nicholas Kulish

Illustration by Wesley Bedrosian

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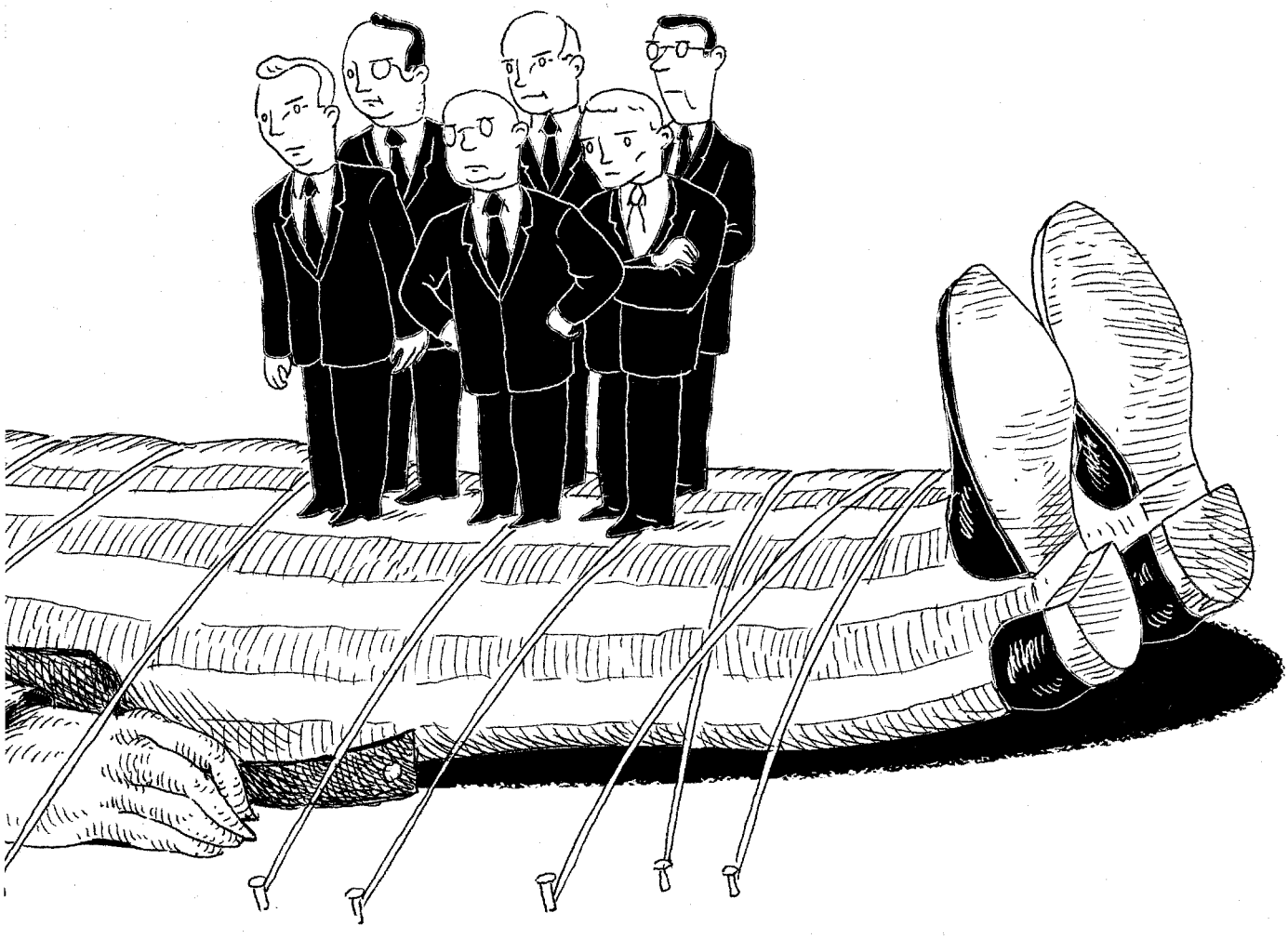
Pascal Lamy, the European Union Trade Commissioner, is a 57-year-old Frenchman, a graduate of Paris' elite Ecole Nationale d'Administration, and a longtime member of the French Socialist Party. He smokes cheroots, works tirelessly on behalf of France and Europe, and his aggressive—some would say ruthless—personal style has earned him the nickname "Exocet," after a French-built missile. He is not exactly George W. Bush's or Tom DeLay's kind of guy.



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In late February, Lamy paid a visit to Washington to meet with senior members of Congress and delivered an audacious demand: If Congress did not eliminate a large tax break for American exporters by March 1, the European Union would slap $4 billion in retaliatory trade sanctions against the United States. When it comes to taxes, President Bush hasn't been swayed by angry Democrats, a burgeoning federal deficit, worried economists, a stagnant job market, or moderates of his own party. But faced with Lamy's threat, he caved. A few days after the Exocet's visit, the president called upon Congress to quickly bring America's tax code in line with the E.U. Commissioner's demands. House Speaker Dennis Hastert summed up his reaction to the pressured legislative changes at an earlier news conference: "My gut feeling about this is we fought a revolution 230 years ago to stop Europeans from telling us how we have to tax in this country, and it puts the hair up on the back of my neck that we have to consider this at all. But we have to do it."

Conservative columnist Jonah Goldberg has popularized the phrase "cheese-eating surrender monkeys" to deride the French, but on one economic issue after another, it has been the United States that has raised the white flag. In December 2003, the Bush administration lifted tariffs on imported steel after Lamy threatened $2 billion in retaliatory tariffs on U.S. exports, targeting especially those produced in critical election states, such as oranges from Florida. Early this year, the administration had to back away from its unilateral demand for armed sky marshals on flights from Europe after strong resistance from E.U. member states.

Increasingly, decisions made in Washington are being overturned by bureaucrats in Brussels. Three years ago, the U.S. Department of Justice approved the merger of U.S.-based G.E. and Honeywell, only to watch the E.U.'s competition commissioner effectively block the deal. The E.U. claimed jurisdiction because the combined business sold more than $225 million annually in Europe. The trustbusters argued that if the businesses combined, the new company would potentially dominate some sectors of the global aerospace industry, which would have hurt European competitors. Now the European Commission is at it again. In late March, it was expected to levy a fine and require Microsoft to do something that the U.S. government couldn't, or wouldn't: force the company to change its dominant Windows operating system. Where the United States ultimately failed to get Microsoft to give its customers equal access to non-Microsoft browser software, the European Union reportedly wants a version of Windows that gives customers access to competitors of the company's Media Player software.

The war in Iraq taught a clear lesson: Unilateral foreign policy, especially one that ignores Europe, doesn't work. In the run-up to the invasion, the Bush administration gambled that it could isolate France and Germany and garner the support of the rest of the U.N. Security Council. Instead, "Old Europe" won the support of most of the other members, and America found itself fighting a bloody guerrilla war in Iraq largely alone. The same lesson now increasingly applies in the economic realm. More than previous administrations, the Bush White House has tried to make economic policy unilaterally, as if the only powers it need worry about are American opinion polls and Beltway trade groups. Yet from trade to taxation, antitrust to safety rules, the Europeans are proving to be powerful competitors who can work against our interests if we ignore theirs.

This simple truth has yet to fully sink in for many in Washington. But it will soon enough. Next month, the European Union will expand from 15 to 25 member nations, to create an entity that encompasses 450 million people. That's half again the size of the United States, and bigger even than the North American free trade zone. In all of human history, it has rarely been the case that a smaller state could get away for long with telling a larger state what to do, given similar levels of technological development. Indeed, it has usually been the other way around. Which is why, more and more, the power barons of Washington are going to have to leave their comfortable K Street steakhouses and learn the murky, frustrating, rule-bound ways of a certain dull city on the Senne River in Belgium.

Brussels scouts

No one claims that Brussels is among the most stunning of European capitals. The weather is bleak year-round, and the neighborhood where the European Union is headquartered is a soulless collection of modern office buildings. The city boasts only a few quaint old squares. Down the block from the most impressive, the Grand Place, is the underwhelming, if not downright odd, symbol of the city: a tiny fountain-statue of a little boy, all of a foot high, urinating. Residents enjoy dressing the statue in hundreds of different costumes. If the boy's garb can be seen as representing the various nationalities in the Union, his actions might symbolize the way in which the Union is increasingly able to treat the United States.

Last January, for instance, the European Union shut down efforts by Homeland Security Secretary Tom Ridge to negotiate with individual European countries to station U.S. Customs agents in their ports to better inspect cargo containers bound for America. The problem wasn't with Ridge's request per se, he was told, but with the way he was negotiating: bilaterally, country-by-country. If he wanted permission, sniffed the European Union, he would have to go through Brussels (which he

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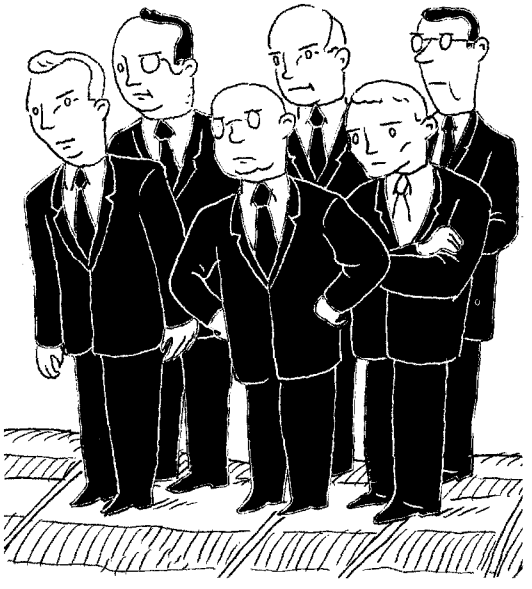
did, eventually getting what he wanted).

The failure of many in Washington to understand that the rules of America's relationship with Europe have changed is a source of frustration to U.S. officials whose task it is to maintain that relationship. U.S. ambassador to the European Union, Rockwell Schnabel, notes that it has often been difficult to convince Washington powerbrokers to pay attention to the European Union instead of the bilateral relationships they had known for decades. "Some days you get the feeling that maybe we are fighting battles but the people back [in Washington] don't fully understand the battles that we're fighting," observes Schnabel, sitting in his office of the cramped, overcrowded building that houses the U.S. Mission to the European Union. There are signs that some administration officials get it. On the day I visited him, the ambassador had the pleasure of hosting the chairman of the Securities and Exchange Commission, William Donaldson. Such visits, said Schnabel, almost never happened until recently. Yet Schnabel's organization itself symbolizes the inertia of Washington's long indifference to Brussels. The U.S. mission employs a staff of 95 to manage relations with an entity (the European Union) of several hundred million people. Next door is the U.S. embassy to Belgium, which employs a staff of 440 to manage relations with a country of 10.3 million.

It's said that if you want to know which celebrities are most popular, follow the paparazzi. Similarly, if you want to know which capitals are the most powerful, follow the lawyers. By that measure, Brussels' day has arrived: More and more American attorneys are packing up and moving there. "You ignore it at your clients' peril," warns Bill Baer, of the Washington-based law firm Arnold & Porter, which opened its Brussels offices in September. Because he now spends a week there each month, Baer has rented an apartment near Luxembourg Square. Among other interests, Arnold & Porter represents GE, which suffered the previously mentioned Honeywell debacle, and pharmaceuticals giant Pfizer, whose $60 billion acquisition of Pharmacia was approved last year by the commission.

It's not just fear that leads American companies to deploy their lawyers and lobbyists to Brussels, but opportunity. Under the Bush administration, Washington has taken a much more laissez-faire attitude towards corporate mergers than Europe. So U.S. firms that want to block mergers of their competitors turn to Brussels in search of more favorable rulings—just as smart defense lawyers "forum shop" for the most sympathetic judges. Sun Microsystems, for instance, sent its lobbyists to Brussels to urge the European Union to look at the "bundling" practices of its competitor Microsoft, while Disney fought the AOL-Time Warner merger before the European Union, helping to scuttle Time Warner's plan to combine its music business with record company EMI in the process.



From trade to taxation, antitrust to safety rules, the Europeans are proving to be powerful competitors who can work against our interests if we ignore theirs.

"Every company of a certain size has a Washington representative. Increasingly the same is true of Brussels," says Raymond S. Calamaro, partner at Hogan & Hartson LLP in Washington, who travels to Brussels to work on trade and competition matters. In meetings with E.U. officials, he recommends modifications to proposed laws and regulations on behalf of his clients, in areas ranging from agriculture to financial services. His experience shows some of the surprising curve balls of trans-Atlantic regulation. Calamaro had to lobby the commission over its mad-cow regulations not on behalf of cattle ranchers but for medical-device manufacturers, because their devices included bovine collagen and consequently fell under the food regulations.

Despite the significance of the work being done in Brussels, the city has yet to exert an allure equal to its importance in the eyes of Washington's heaviest hitters. Part of this is the entrenched bilateral mindset—the idea that the important action happens between nations. Even among foreign-service officers, an economic affairs slot in Brussels is still considered less prestigious than a political or national security assignment almost anywhere, especially in such attractive cities as London or Paris. Part of it is also the allure of bigger, more exciting cities; Brussels is to Paris what

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Albany is to New York City. One London-based lobbyist I spoke to says she tries to avoid even staying overnight when she has to go to Brussels. Other visitors joked that its biggest advantage was its proximity to Paris. It's hard to blame them. Beau Phillips of Chlopak, Leonard, Schechter & Associates, a Washington, D.C., public-relations agency, was in town last fall on behalf of a technology trade association for meetings on the Microsoft case. He explained the dreary impression that many Americans have of the city: "You will often see little more than the inside of a drab government building, the inside of your hotel room, the inside of the law or lobbying firm conference room you are working from, and the view from the taxi between the three."

Still, the lawyers keep coming. Every week, says Bill Drozdiak, executive director of the nonprofit German Marshall Fund's Transatlantic Center in Brussels, he receives a fresh invitation to a grand opening of some firm's new branch. "Sidley Austin Brown & Wood invite you to the opening of their new Brussels office," he reads aloud from an invitation lying on his desk. After a moment thinking, he adds, "There are more American lawyers now in Brussels than any other capital in Europe."

Payback time

If the European Union has only recently been able to exert power over Washington, it has been quietly accumulating the strength to do so for years. The union began in 1950 as an effort by Germany and France to pool management of their respective coal and steel industries. By the 1980s it had grown into a Common Market for goods and services encompassing more than 12 nations. After the Berlin Wall fell in 1989, Europeans could focus less on threats from the east and even more on their own integration. Under the 1992 Maastricht Treaty, the nations of Europe committed themselves to giving up one bit of sovereignty after another, with authority over everything from tariffs to environmental regulations to fiscal and monetary policy migrating to the European Union.

This pooling of authority in a single entity is the first big reason why the European Union has become an economic counterweight to the United States. The second is that the United States was fast becoming more dependent on the European market. Trade in goods between the United States and the E.U. has doubled from $187 billion in 1990 to $392 billion in 2003, a sum exceeded only by U.S. trade with its NAFTA neighbors. But when the economic activities of U.S. subsidiaries incorporated in EU countries are counted, Europe is by far our biggest commercial partner. For instance, during the 1990s, U.S. firms invested nearly twice as much in the Netherlands, $65.7 billion, as in Mexico, $34.1 billion, according to the Center for Transatlantic Relations.

A third lever of power came the European Union's way in 1995, when the international community created the World Trade Organization, of which the European Union and the United States are members. The WTO provides an independent forum to adjudicate trade disputes, and its rulings give the winners the right to impose fines and other sanctions on the losers. The European Union has been aggressive in charging the United States with trade violations, and equally aggressive turning WTO decisions to its advantage as Pascal Lamy's threats of sanctions over steel tariffs and tax breaks show.

The European Union gained a fourth means of influence in 1999, when most of its member states began the process (completed in 2002) of abandoning their national currencies in favor of a common one, the euro. By tying the fates of European economies more closely together, the common currency encouraged member states to present a much more united front on key economic issues than was the case before. "Boy, has it strengthened their hands on things like trade; they're much more willing to act together," said Barry Bosworth, an international economist at the Brookings Institution. Although the new currency showed signs of weakness after its debut, it is arguably now poised to make a run at the greenback's status as the world's premier reserve currency. The European Union now has its own Alan Greenspan, Jean-Claude Trichet, head of the European Central Bank based in Frankfurt. Though he's even less of a household name in Washington than Pascal Lamy, a strongly worded statement from Trichet can cause drastic shifts in the dollar-euro exchange rate—making, for instance, American exports more or less competitive on world markets.

The Bush administration inadvertently handed the European Union a fifth source of power with its my-way-or-the-highway foreign policy. From invading Iraq to pulling out of the Kyoto climate change treaty, Bush's decisions have so inflamed European public opinion that European Union officials feel obliged to take a much tougher line with America on economic issues than they might have otherwise. Some in Washington, for instance, had hoped the European Union would postpone sanctioning the United States over its export tax breaks, but thanks to Iraq, that didn't happen. "Political leaders now have an interest in standing up to us," notes Brookings Institution senior fellow Philip Gordon, former director of European affairs in the Clinton White House. Adds Gordon: "There's a bit of payback there."

Of course, it's not as if Washington never wins battles with Brussels. A few years ago, for instance, the United States hammered Europe with $200 million in WTO-approved trade sanctions until the continent dropped its barriers to importing bananas from United States-owned firms. And after the European Union vetoed the proposed merger between GE and Honeywell, the Bush administration's antitrust officials

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worked with Brussels to bring Europe's competition laws more in line with those in the United States.

But in one component of power, the ability to absorb punishment, Europe seems to have an edge. While Washington abandoned its steel tariffs in the face of costly sanctions from Brussels, Europe has been willingly paying over $100 million annually in WTO-sanctioned penalties rather than give in to U.S. demands to import hormone-treated American beef. What explains Europe's tough hide? Partly it's that the bureaucrats who run the commission are unelected, insulating them from some of the demands placed on representatives who have to face voters every few years. Europeans are also more willing to pay a little extra to keep their food pure, and more comfortable allowing their bureaucrats to intervene in the free market.

Backdoor Kyoto

Last December, attempts by Europe to agree on a common political constitution collapsed—a major blow to the dreams of European integrationists, but probably a temporary one. For decades, Europe has managed to overcome obstacles to unity. The betting is that closer political union is only a matter of time.

In any event, Europe's clout will certainly grow after the European Union expands next month, for the simple reason that big markets tend to set the rules for everybody. In America, for instance, book publishers tend to bow to the preferences of their biggest customers, which means that schools in small states have to buy textbooks that reflect the conservative or liberal biases of educational commissions in Texas and California. Similarly, American consumers may soon have to get used to buying products tailored to the demands of Brussels. The European Union, for example, has long forced U.S. automakers to improve their emissions standards for cars sold in the European market. Might they go a step further, and pressure firms like GM and Ford to improve their records worldwide? It's hypothetical, but Europeans would be thrilled if they could pull off a backdoor Kyoto, declaring that, since pollution is a global issue, only firms whose vehicle fleets meet worldwide standards could sell in the European market.

The degree to which Europe may soon be dictating economic terms to America has not yet dawned on most of official Washington, but it will soon.

Or imagine what would happen if the WTO were to rule that Europe's current ban on genetically modified corn—currently a contentious issue—was permissible. U.S. agribusinesses that sell GM corn would not only have to kiss the European market goodbye, but lose access to markets in Africa, Latin America, and Asia as well, says University of Maryland business professor Peter Morici. And farmers won't grow strains of food that the big global manufactures aren't buying.

Privacy is shaping up to be another major battleground of the future between U.S. and E.U. regulations. European citizens are much less willing to give up their personal information than Americans. Software companies have learned that tough privacy regulations written to protect E.U. consumers often are easiest or cheapest to implement by improving standards for all users around the globe. When Microsoft struck a deal with the commission last year to improve consumer privacy—giving users more control over where and how their personal data was shared—many of the changes ultimately were made for all Microsoft users worldwide.

The degree to which Europe may soon be dictating economic terms to America has not yet dawned on most of official Washington, but it will soon, and it will come as a shock. Why, politicians will ask, should the decisions of a bunch of bureaucrats in Brussels force our companies to raise fuel standards, rewrite food labels, or strengthen software privacy protections? Think tanks will host conferences to denounce the high regulatory costs of complying with Europe's standards. Newspaper columnists will demand that the president show some backbone and fight for American economic freedom. After much heated rhetoric, it will dawn on Washington that we face a choice: stand forthrightly behind our principles of independence, or sell our products and services abroad. In the end, we will decide that in economics, as in foreign affairs, it is more in our interests to work with the Europeans than against them. For a proud and powerful nation like ours, it will not be easy. But as Dennis Hastert said, we'll just have to do it ◆

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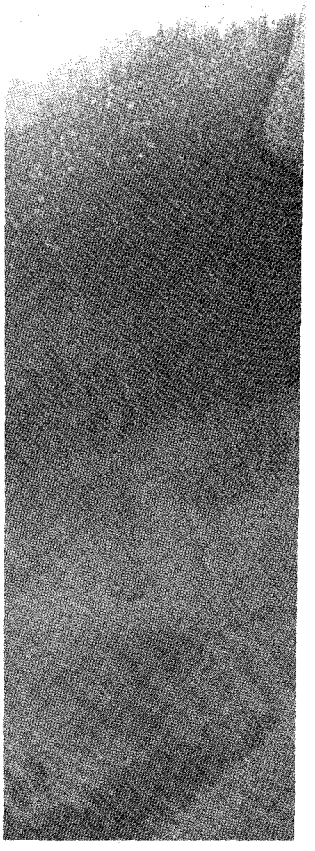
There Goes the Nei

Why home prices are about to plummet —and take the recovery with them.

By Benjamin Wallace-Wells

Illustration by Fred Harper

In Washington, where words are the currency, where imprecise verbs threaten the loss of a political career and misapplied nouns can doom a movement, there remain a few figures who get a general pass not just for a certain degree of verbal imprecision, but for a fairly deep-seated degree of intellectual wackiness, a penchant for regularly saying very odd things. Newt Gingrich is one of these public figures, Robert Byrd another; Helen Thomas has her moments, too. You'll be sitting in the audience listening to a sensible speech by, say, Gingrich, and all of a sudden you get the notion that aliens have captured his brain. Befuddled, you'll turn to your friend next to you, the libertarian true-believer, and he'll shrug his shoulders and whisper back: "Oh, it's just *Newt*." And then, a few minutes later, the speaker's episode will subside, the aliens return the brain, and the speech continues on its before-we-were-so-rudely-interrupted track. No one says a word. The capital's press gives these folks a pass from its usual lawyerly scrutiny because they are regarded as sages who can be relied upon to speak some kind of unusual and valuable truth, whose occasional episodes of profound intellectual oddness are thought to stem from the same deep source as their general brilliance.



Benjamin Wallace-Wells is an editor of *The Washington Monthly*.

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Perhaps the most powerful figure to benefit from this amnesty is Federal Reserve chairman Alan Greenspan. When Greenspan says something completely wacky and wrong, the press tends to look it over, shrug its shoulders, and say, in effect, "Oh, it's just *Greenspan*," trusting that during the next moment of national economic crisis the chairman can be relied upon to perform his role as the nation's egghead-errant, sent to soothe markets, settle Congress, and help us all see the economic light.

One of these spells flared up during the last week in February, when Greenspan recommended that the home-owning public take a good hard look at switching from fixed-rate mortgages, under whose terms payments stay the same no matter what interest rates do, to adjustable rate mortgages (ARMs), where payments fluctuate along with interest rates—which, right now, makes close to zero sense. Interest rates are lower than they've been in 30 years, and, with all economists predicting a general economic upturn, and Bush's budget deficit and the weak dollar sucking up capital, little doubt exists that interest rates must rise, in which case, switching from a fixed-rate to adjustable-rate mortgage would be pretty costly for any family naïve enough to take Greenspan at his word. The episode did not pass completely without critical notice. It was "the strangest bit of advice ever to be proffered by an American central banker," Jim Grant, publisher of *Grant's Interest Rate Observer*, told the *San Francisco Chronicle*. Then the press moved on: "Oh, it's just Greenspan."

But sometimes wacko ideas can betray deeper truths. It is tempting to ask what stake the chairman might have in trying to convince millions of people to do something so contrary to their own interest. One theory floated by Fed-watchers is that the chairman is trying to help out his classic institutional constituency, the big banks, which hold trillions of dollars in fixed-rate mortgage paper. There may be something to that theory, but there is almost certainly a deeper and more important motive behind this curious advice. Quite simply, Greenspan is trying to keep a wobbly and fragile recovery alive—and using mortgage refinancing to do it.

There are many strange things about the choppy recovery we're in, but among the most curious is that it is being fueled largely by consumer spending. Why consumers should continue to spend, and why they've done it throughout the recession, is not immediately obvious. After all, average income growth has been puny in the last few years. There's been a big falloff in jobs. Health care and tuition costs have only been going up. And the stock market has spent the last three years unsuccessfully huffing and puffing to get back to the level where it was in early 2001. Why have consumers been spending so much?

Economists have advanced two main reasons. One is that Americans have so lost their moorings that they've had few qualms about going deep into debt. That's certainly true. The average person's debt as a percentage of his income is now higher than it's ever been. But there's another reason, too: Americans have been using their homes as ATM machines, refinancing their mortgages in order to fund their spending. This, of course, makes sense. The one sector of the economy that has consistently swelled has been housing prices. This has intrigued and surprised many economists, because housing is supposed to operate in sync with the economy, expanding during flush times and contracting when things go poorly. But even in a down economy, prices have soared.

Because of these rising prices, people have felt that despite all the ups and downs in stocks and salaries, that their overall situation was okay. Homes are the biggest asset most families own, and their value has been rising nicely. For that reason, Americans have felt more comfortable buying big-ticket items, from SUVs to new computers to Disney World vacations. Much of that spending has gone right onto the VISA card. But that debt has been kept somewhat manageable by another factor in housing prices: mortgage refinancing.

With home prices rising and the Fed keeping rates low, a mortgage refinancing industry that barely existed 15 years ago exploded into one of the fastest growing sectors of the financial services industry. Last year, one-third of all homeowners used cash-out mortgages to refinance their homes, a rate roughly consistent over the past five years. Savvy investors, says Harvard economist William Apgar, are likely to have refinanced "two or three times in the last two years." Each time they do, they have either been able to lower their monthly payments, or walk away with a chunk of cash. And where does that extra cash go? The ubiquitous Ditech TV ads say it all: "I just refinanced my home and paid off my credit cards!" American homeowners have gained $1.6 trillion in cash from refinancing in the last five years, and those gains have flowed almost wholly into purchases of consumer goods. The resulting spending, says Wharton's Susan Wachter, is "propping up" the American economy.

Greenspan has played enabler to this boom. But with the Fed fund's rate at 1 percent, the chairman can't do much more to sustain it. Tens of millions of Americans

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have already refinanced their mortgages, and at current rates, can't be induced to do so again. This small window is closing, fast: For six months, refinancing has been tapering off, and economists expect it to narrow further—many economists have argued the gains from refinancing are likely to halve this year. Moreover, as soon as interest rates rise (as Greenspan himself has said they will within the next year), virtually all refinancing will cease.

Greenspan's rather ham-handed effort to get them to go for ARMs, is a sign not of the chairman's own eccentricity or advanced age, but, instead, of the economy's current unsteadiness. Greenspan knows, perhaps better than anyone, that this economy is perched nervously on top of a wobbly, Dr. Seuss-like tower. Our recovery is propped up by consumer spending, which is in turn propped up by mortgage refinancing, and if that refinancing dries up before more props can be put in, the whole edifice could fall. "Since long-term interest rates cannot fall low enough to facilitate another wave of fixed-rate refinancings, he is trying to encourage homeowners to refinance one last time: fixed to ARM," Peter Schiff, president of Euro Pacific Capital in Los Angeles told the *San Francisco Chronicle*.

Greenspan knows that his economy is perched nervously on top of a wobbly, Dr. Seuss-like tower. Our recovery is propped up by consumer spending, which is in turn propped up by mortgage refinancing, and if that refinancing dries up before more props can be put in, the whole edifice could fall.

Let's assume for a moment that enough people get fooled, and the refinancing boom gets extended for another year. Then what? The real problem hits. Because if you think Greenspan's being cagey on refinancing, the truth he's really avoiding talking about is that we're in the midst of a huge housing bubble, on a scale only seen once before since the Depression. Worse, the inflated housing market is now in an historically unique position, as the motor of the rest of the economy. Within the next year or two, that bubble is likely to burst, and when it does, it very well may take the American economy down with it.

House bound

Whether or to what extent American home prices will plummet soon is open to some debate, but not much. Even the professionally optimistic housing economists employed by the real-estate industry are now admitting that the good times may be over: "What we would ask for is kind of a slow slowdown," Jeff Culbertson, president of Coldwell Banker-Northern California, told *Knight Ridder* at the beginning of March. Virtually every housing economist is concerned that prices may be unstable, and growing numbers are becoming outright alarmed. To understand why that is—and why warnings of a coming housing collapse haven't been front-page news—just look at the numbers.

Truth is, in most of the country there's no housing bubble. Perhaps the crucial ratio from which economists determine whether housing markets are out of whack is the ratio of home prices to annual income. In most of the country, it is modest, 2.4:1 in Wisconsin, 2.2:1 in Kentucky, 2.9:1 in Illinois.

Only in about 20 metro areas, mostly located in eight states, does the relationship of home price to income defy logic. The bad news is that those areas contain roughly half the housing wealth of the country. In California, the price of a home stands at 8.3 times the annual family income of its occupants; in Massachusetts, the ratio is 5.9:1; in Hawaii, a stunning, 10.1:1. To some extent, there are sound and basic economic reasons for this anomaly: supply and demand. Salaries in these areas have been going up faster than in the nation as a whole. The other is supply: These metro areas are "built out," with zoning ordinances that limit the ability of developers to add new homes. But at some point, incomes simply can't sustain the prices. That point has now been reached. In California, a middle-class family with two earners each making $50,000 a year now owns, on average, an $830,000 home. In the late 80s, the last time these eight states saw price-to-income ratios this high, the real estate market collapsed.

By other measures, too, the market is badly bloated. One index of housing inflation is the difference between house prices and rents. In a healthy market, driven by demand, rents and sale prices ought to track roughly together. But while sale prices have soared, rents have stayed flat; and in some of the most overheated markets, like San Francisco and Seattle, they have actually been declining. Such a gap, the economist and *New York Times* columnist Paul Krugman has written, suggests "that people are now buying houses for speculation

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rather than merely for shelter," evidence that he called a "compelling case" for a housing bubble.

"Within the next year or so," *The Economist* argued in a May 2003 editorial, these regional "bubbles are likely to burst, leading to falls in average real home prices of 15-20 percent" across America. And, of course, in the most heated markets the drop is likely to be steeper yet.

When housing bubbles burst, they can hurt more than their sector of the economy. Studies have shown that they exercise twice the effect on consumer spending as comparable declines in stock prices. So, a 20 percent drop in housing prices would have the same, shriveling effect on the economy as a 40 percent crash in the stock market. When investors lose value in their houses, many of them pull money out of other investments, like stocks. Then, too, jobs in construction, real estate, and other fields that depend on new home sales die off.

What can Alan Greenspan or anyone else do about this? The answer is, not much. Prices are so stratospheric that even modest hikes in long-term interest rates could burst the bubble. And with federal deficits soaking up so much capital, interest rates are likely to rise as the economy heats up and demand for capital increases. Of course, Greenspan could argue for rescinding some of President Bush's tax cuts, which he's long defended, to bring down the deficit. But even that probably won't forestall a collapse in home prices.

Given the lateness of the hour, and the near-inevitability of the coming crash, there's really only one thing left for concerned citizens to do. Start assigning blame.

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Blowing bubbles

Fortunately, the bad actors responsible for this manic inflation are pretty easy to recognize. They look remarkably like the ones who puffed up the tech bubble in the late 90s. In both cases, the unfettered optimism of the buying public was fueled by a brokerage industry almost wholly concerned with making a sale, independent analysts with an incentive to hype prices, and major accounting fraud.

What drives most appreciation in housing prices is the universal human desire to own a slightly larger and more expensive place than one can really afford; a desire restrained in normal times by the universal desire of those who lend money to get paid back.

Getting a home loan used to be a particularly nerve-wracking and unpleasant process. A stern loan officer behind a big mahogany desk would pore over your income and credit, suspiciously probing your portfolio for weaknesses. And sensibly enough: The bank that lent you the money would have to collect on the mortgage for the next 30 years and had to make sure you were really good for it. It hired independent appraisers to make sure the price was in line. This process was a little stingy, and meant some people on the low end of the income scale couldn't buy a home and many others got less home than they might have wanted, but the system usually kept prices in check.

The one exception to this general process was mortgages sold on the secondary market. In the 1930s, Congress created the Federal National Mortgage Corporation (Fannie Mae) to encourage banks to make loans to low-income Americans by agreeing to purchase those mortgages from the banks. In 1970, Congress created a second agency, the Federal Home Loan Mortgage Corporation (Freddie Mac), to do much the same thing. By the late 1980s, these two entities, which belong to the category known as Government Sponsored Entities (GSEs), were buying up and reselling 30 percent of new mortgages and packaging the mortgages to be sold as securities.

Fannie and Freddie's market share was limited by their ability to attract investment capital. But in 1989, Congress instituted some modest-seeming technical changes that made Freddie and Fannie much more attractive to investors, and able to draw much more capital. Under the new rules, for instance, they were allowed

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to customize securities at different levels of risk and return to meet more precisely the demands of different sectors of the capital market. Then, too, bank regulators let pension funds and mutual funds class Fannie's debt as low-risk. As a consequence, during the 1990s, investors practically threw money at Fannie Mae and Freddie Mac, which became enormously, steadily profitable. The GSEs used the new capital to buy up every mortgage they could, and banks were only too happy to sell off the mortgage paper. The price cap on the mortgages Fannie and Freddie could insure was raised. As a result of all these changes, Fannie and Freddie went from buying mostly mortgages for low-end homes to those of the middle- and upper-middle class. And the share of the nation's conventional mortgage debt which they insure has swelled, to more than 70 percent today, double its share in 1990.

This shift has had two crucial, if under-appreciated, consequences. First, in little more than a decade, Fannie Mae and Freddie Mac have gone from handling one trillion dollars in mortgages to four trillion, with virtually no changes in oversight. Second, their dominance of the mortgage market has profoundly undermined the discipline that once kept housing prices in check.

Once banks knew they could automatically hand off the mortgages they wrote to Fannie and Freddie with basically no risk, the old incentive system dissolved. "Banks and other mortgage lenders are not watching home prices carefully because they rarely hold onto the mortgage paper they create—they just sell it upstream to mortgage investors," John R. Talbott, a housing researcher at UCLA's Anderson School of Business, has argued. "It is a dangerous situation indeed when neither home buyers nor the institutions that finance them are concerned with the ultimate price being paid for the housing asset."

In most markets, buyers and sellers rely on independent experts to bring sanity to prices. In the stock markets during the 1990s, that role had traditionally been played by stock analysts, whose opinions were famously bought off by the investment banks they worked for. Something similar has happened to appraisers, the independent contractors banks hire to determine the worth of a home for the purposes of a mortgage loan. In a recent survey conducted by the October Research Group, more than half of all appraisers said that they personally felt pressured to overstate loans, and "nearly all" said they knew a colleague who had actually done so. The pressure to inflate, October's publisher Joe Casa said, "is much worse now than it's ever been." Industry analysts have estimated that between 15 and 30 percent of houses nationally are over-valued.

It's not just the discipline of banks that keeps people from buying more than they can afford, but the buyers' own fear and guilt. But in an environment where home prices continue to spiral up, fear and guilt are replaced by a sense that you're a fool not to buy the most house you can possibly get away with.

A particular kind of speculative frenzy ensues, captured in a recent story in *The Washington Post* which detailed a new phenomenon: home buyers camping out overnight for the chance to be the first in the next morning's open house, ready to buy $700,000 houses in built-out, lush-lawned suburbs like Arlington. The phenomenon has created temporary, yuppie tent cities. The story's authors interviewed several buyers in the tented line who planned to sell their purchases back into a steadily rising market, and concluded, dryly: "There is an element of speculation to the lines."

What makes the current frenzy especially dangerous is that every relevant institution has an incentive to play along. Who, after all, is likely to say *stop*? Not the realtors. Not the banks, any longer. Not Fannie and Freddie or the private secondary-mortgage operators, who are turning vast profits on the backs of the bubble. Certainly not the Federal Reserve or the Treasury Department, while the economy depends on a sustained housing boom.

By 2000, some acute observers, like Jane D'Arista, a former chief economist for the House Financial Services committee and now a federal funds researcher with the Financial Markets Center, had begun to warn that the situation was untenable. By 2002, a few major players, like Steve Roach, Morgan Stanley's chief economist, had picked up on the concerns about a bubble and Fannie and Freddie's sprawling influence. But Greenspan, Treasury, and GSE officials, in interviews and testimony, denied that housing inflation posed a problem. And, sure enough, in the next year, not only did the bubble fail to deflate, but it also expanded—the housing sector posted its best year ever.

Then, last summer, came a warning no one should have missed: news of major accounting fraud at Freddie Mac. In stocks, corporate accounting scandals appeared after the market plunged, too late to signal danger. But the fraudulent accounting at Freddie Mac was, or should have been, a wake-up call, though the details of this scandal were distinctly different. Instead of hiding losses, as happened at Worldcom and Enron, the accountants at Freddie Mac had been hiding embarrassingly large profits. They feared that higher-than-expected returns might incite more risk-taking and a more volatile housing market than investors in

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Freddie Mac would like. A number of senior executives were canned, and spooked foreign investors sold off Freddie and Fannie's debt. A sense was emerging, among politicians as well as economists, that Fannie and Freddie were not just running amok, says Tom Stanton, an attorney specializing in government sponsored enterprises, but that they "were showing a combination of high leverage, fast growth, and weak oversight of just two companies that held or guaranteed several trillion dollars of mortgages between them and posed potential systemic risk to the American economy."

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Testifying before Congress on July 16, Greenspan did not discuss any of this, nor did he mention a bubble. Instead, he chose to praise the economic benefits of low interest rates and home refinancing. The boom continued unabated. By October, homebuyers were able to refinance to a 30-year fixed-rate loan with a rate of just 4.99 percent.

Eleventh-hour warnings

Still, the accounting scandals, carrying with them a vague, unsavory whiff of Enron, made reforms in the housing market impossible to ignore. Even Franklin Raines, Fannie Mae's chairman, admitted that the GSEs needed to be reined in. In the fall, the House dipped its toes into the water, with a bill that established a single regulator in the Treasury Department with broader authority to make sure the GSEs had their finances in order. At the White House's behest, the Senate Banking Committee began hearings on the same issue in February. The goal of most of the debate in Congress has so far been how to ensure the GSEs financial viability; there has been very little talk about how to reduce their role in the housing markets.

That job fell to Greenspan: Finally, on Feb. 24, testifying before the Senate Banking Committee, he came clean about the risks of the housing market, in a speech reminiscent of his 1996 warning about "irrational exuberance" in the stock market. In his familiar, glum posture, his bald head slouching low over the table, he warned that the GSEs weren't just unstable, but also posed a "systemic risk" to the economy of the United States. He suggested debt caps, to reduce Fannie and Freddie's role in the market, and urged stricter regulation.

The chairman's proposals were both brave and right, the best plan for resolving the structural problems with GSEs that's been put forward yet. But given the political situation, his reforms won't be enacted anytime soon. The day after his testimony, his suggestions were brushed off by everyone from Fannie and Freddie's chief executives to Republicans and Democrats on the Hill. *Oh, it's just Greenspan.*

Both political parties have bought into the idea that a vast, unfettered Fannie and Freddie are good for the country, and have only amplified the GSEs' "American Dream" rhetoric. Republicans are still invested in the deregulation of Fannie and Freddie they helped engineer in the late 1980s. Democrats, generally the party of more regulation, have historically been Fannie and Freddie's best friends, and the GSEs' lush executive suites are packed with former Democratic staffers: Raines was Clinton's director of the Office of Management and Budget, and his predecessor, James A. Johnson, a longtime aide to Walter Mondale, is now leading John Kerry's search for a running mate. In the hearings on the Hill, neither Democrats nor Republicans have seemed favorably disposed to strict regulation of Fannie and Freddie, and *American Banker* has concluded that the GSEs' lobbying power is strong enough that no regulatory bill will pass without their okay.

Greenspan, of course, knows all this. He knows his reform initiatives stand little chance politically right now, and he knows that even if, miraculously, they were put into place, they likely won't keep the housing market from crashing. Why even bother to bring it up? Two reasons, say Fed-watchers. First, though he didn't explicitly warn against the housing bubble, Greenspan wants to be able to claim, after the bubble bursts, that he gave fair warning, even though these warnings came at the eleventh hour. But at a less cynical level, the chairman knows that in the American political process real reforms only get put into place after a crisis and not before, but that you stand a better chance of getting them if you publicize them early.

So, why then didn't he bring these issues up even earlier? The answer may be that he simply couldn't afford to—he was relying on a supercharged housing sector to get the economy as a whole through the recession. Indeed, he still is. On the very day that he suggested his reforms of the secondary market, he was trying to squeeze a little more juice out of refinancing with his bizarre advice to consumers about ARMs. And that, ultimately, is the ironic and uncomfortable position that this economy has forced Greenspan into. To get out of the recession, he had to rely on, stay mum about, and even encourage a housing bubble. Now, that very bubble may be the thing that destroys the recovery he has sought to create. ◆

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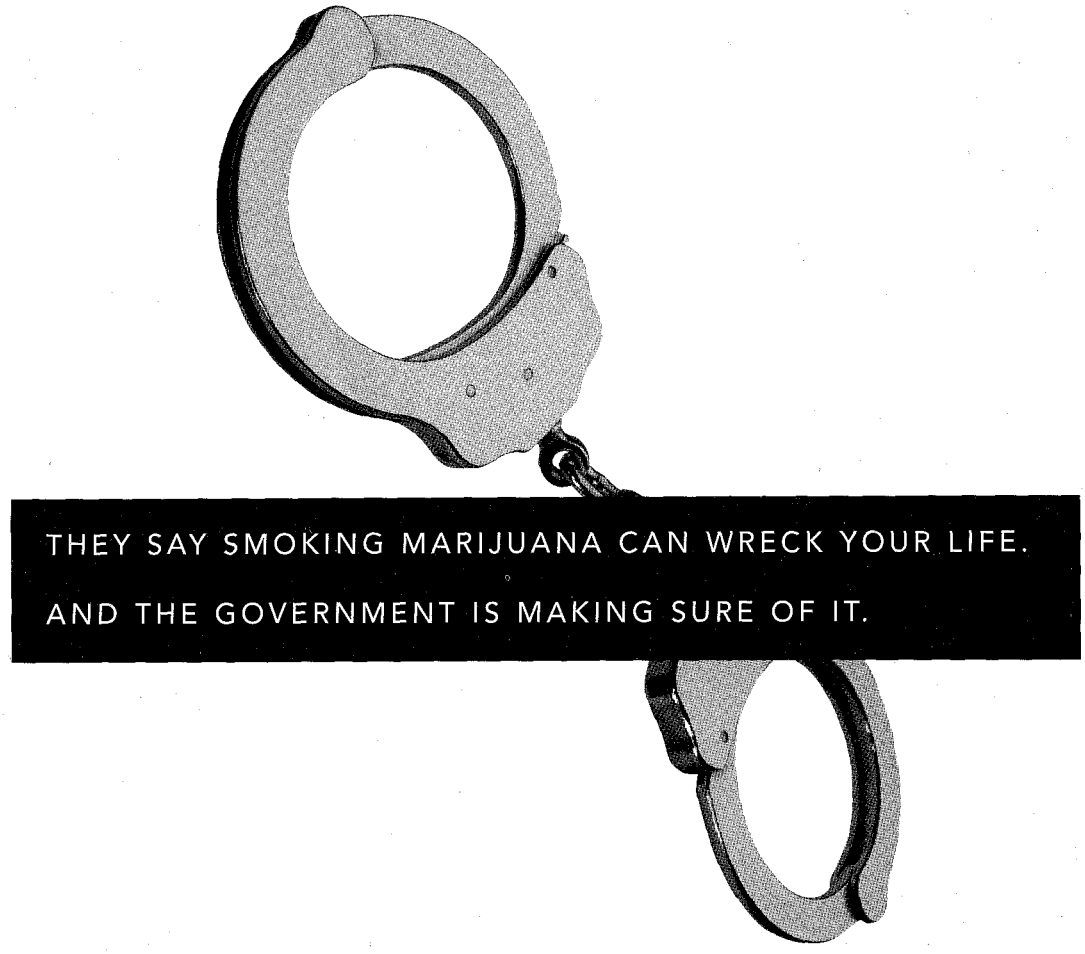

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Doctors Without Borders

Why you can't trust medical journals anymore.

By Shannon Brownlee

With financial ties to nearly two dozen drug and biotech companies, Dr. Charles B. Nemeroff may hold some sort of record among academic clinicians for the most conflicts of interest. A psychiatrist, a prominent researcher, and chairman of the department of psychiatry and behavioral science at Emory University in Atlanta, Nemeroff receives funding for his academic research from Eli Lilly, AstraZeneca, Pfizer, Wyeth-Ayerst—indeed from virtually every pharmaceutical house that manufactures a drug to treat mental illness. He also serves as a consultant to drug and biotech companies, owns their stocks, and is a member of several speakers' bureaus, delivering talks—for a fee—to other physicians on behalf of the companies' products.

But it was just three of Nemeroff's many financial entanglements that caught the eye of Dr. Bernard J. Carroll last spring while reading a paper by the Emory doctor in the prominent scientific journal, *Nature Neuroscience*. In that article, Nemeroff and a co-author reviewed roughly two dozen experimental treatments for psychiatric disorders, opining that some of the new treatments were disappointing, while others showed great promise in relieving symptoms. What struck Carroll, a psychiatrist in Carmel, Calif., was that three of the experimental treatments praised in the article were ones that Nemeroff stood to profit from—including a transdermal patch for the drug lithium, for which Nemeroff holds the patent.

Carroll and a colleague, Dr. Robert T. Rubin, wrote to the editor of *Nature Neuroscience*, which is just one of a family of journals owned by the British firm, Nature Publishing Group, pointing out the journal's failure to disclose Nemeroff's interests in the products he praised. They asked the editor to publish their letter, so that readers could decide for themselves whether or not the author's financial relationships might have tainted his opinion. After waiting five months for their letter to appear, the doctors went to *The New York Times* with their story—a move that sparked a furor in academic circles, and offered the public yet another glimpse into conflict of interest, one of the most contentious and bitter debates in medicine.

In his defense, Nemeroff told the *Times* he would have been happy to list his (many) relationships with private industry—if only the journal had asked. "If there is a fault here," he said, "it is with the journal's policy," which did not require authors of review articles to disclose their conflicts of interest.

And that is pretty much where the debate over conflict of interest in medical journals stands: Should research scientists who have financial stakes in the products they are writing about be forced to disclose those ties? To which the average person might reasonably respond, of course they should. But the more pertinent question is why scientists with financial stakes in the outcome of scientific studies are allowed anywhere near those studies, much less reviewing them in elite journals.

The answer to that question is at once both pre-

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dictable and shocking: For the past two decades, medical research has been quietly corrupted by cash from private industry. Most doctors and academic researchers aren't corrupt in the sense of intending to defraud the public or harm patients, but rather, more insidiously, guilty of allowing the pharmaceutical and biotech industries to manipulate medical science through financial relationships, in effect tainting the system that is supposed to further the understanding of disease and protect patients from ineffective or dangerous drugs. More than 60 percent of clinical studies—those involving human subjects—are now funded not by the federal government, but by the pharmaceutical and biotech industries. That means that the studies published in scientific journals like *Nature* and *The New England Journal of Medicine*—those critical reference points for thousands of clinicians deciding what drugs to prescribe patients, as well as for individuals trying to educate themselves about conditions and science reporters from the popular media who will publicize the findings—are increasingly likely to be designed, controlled, and sometimes even ghost-written by marketing departments, rather than academic scientists. Companies routinely delay or prevent the publication of data that show their drugs are ineffective. The majority of studies that found such popular antidepressants as Prozac and Zoloft to be no better than placebos, for instance, never saw print in medical journals, a fact that is coming to light only now that the Food and Drug Administration has launched a reexamination of those drugs.

Today, private industry has unprecedented leverage to dictate what doctors and patients know—and don't know—about the $160 billion worth of pharmaceuticals Americans consume each year. This is an unsettling charge that many (if not a majority) of doctors and academic researchers don't want to acknowledge. Once grasped, however, the full scope and consequences of medical conflict of interest beget grave doubts about the veracity of wide swaths of medical science. As Dr. Drummond Rennie, deputy editor of *The Journal of the American Medical Association* (JAMA), puts it, "This is all about bypassing science. Medicine is becoming a sort of Cloud Cuckoo Land, where doctors don't know what papers they can trust in the journals, and the public doesn't know what to believe."

Clinical trial and error

How did we get to this point? What effect is industry influence having on the treatment of patients? And why are the medical journals not more vigilant to weed out papers that have been distorted by conflict of interest? The answers to these questions begin, oddly enough, with an amendment to U.S. patent law called the Bayh-Dole Act. Passed in 1980, Bayh-Dole for the first time permitted universities to commercialize products and inventions without losing their federal research funding, the seed money for innovative research. The brainchild of George Keyworth II, President Reagan's science advisor, who was watching the United States get beaten in world markets by the Japanese, Bayh-Dole was intended to stimulate advanced technological invention and speed its transfer from university labs into private industry, where it could be put to work spurring U.S. productivity.

It seemed like a win-win proposition. Indeed, Bayh-Dole has helped launch the biotech industry and has propelled several life-saving products to market. The basic research behind Gleevec, for instance, an incredibly effective new anti-cancer drug, was done by a university scientist. The drug's manufacturer, Novartis, stepped in and provided additional funding for development. In 1984, private companies contributed a mere $26 million to university research budgets. By 2000, they were ponying up $2.3 billion, an increase of 900 percent that provided much needed funds to universities at a time when the cost of doing medical research was skyrocketing.

That's the upside. The downside is that Bayh-Dole has also fostered increasingly cozy relationships between the academics upon whom the nation depends for unbiased medical information and Big Pharma, private companies whose main goal, let's face it, is making a profit. And we're talking serious money here. In addition to the salaries built into company-sponsored research grants, academic clinicians at medical schools can pad their already decent incomes with $1,000-a-day consulting contracts with pharmaceutical companies, patent royalties, licensing fees, and big-payoff stock options. Nemeroff stood to reap as much as $1 million in stock from a company that manufactured one of the products in his *Nature Neuroscience* paper. At many of the top research universities and medical schools around the country, a substantial percentage of the faculty enjoys the perks of industry relationships. At MIT, 31 percent of the science and engineering faculty has outside income; at Stanford Medical School, it's 20 percent.

What's in it for the pharmaceutical companies? Simple economics. It's Marketing 101. By penetrating the wall that once existed around academic researchers, drug companies have gained access to the "thought leaders" in medicine, the big names whose good opinion of an idea or a product carries enormous weight with other physicians. Companies target academic KOLs, or Key Opinion Leaders, in the lexicon of marketing, and woo them with invitations to sit on scientific advisory committees, or to serve as members of speakers' bureaus, which offer hefty fees for lending their prestige to a company and touting its products at scientific meetings and continuing medical education conferences. Of course, KOLs must be convinced of their own impartiality, says Carl Elliott, a moral philosopher at the University of Minnesota and author of *Better Than Well; American Medicine Meets the American Dream*. "If they understood that they were being used as industry mouthpieces, they would probably pull the plug on the whole enterprise." Drug companies encourage their KOLs to consult for

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multiple companies so the appearance of objectivity can be maintained. But the drug industry's most powerful means of boosting the bottom line is funding research, which allows companies to control, or at least influence, a great deal of what gets published in the medical journals, effectively turning supposedly objective science into a marketing tool.

"These are not benign people who are interested in helping people with their new wonder drugs," says Drummond Rennie. "The drug companies are run by hard-nosed marketers, not by the physicians and the scientists. They use what works, and money works." Rennie, who has a thatch of unkempt white hair and remnants of the accent of his native Leeds, England, got a clear picture of the extent to which drug companies will go to control the results of studies they fund in 1993, when a colleague at University of California San Francisco tried to publish a paper in JAMA in 1993 on the metabolic activity of four different forms of thyroid hormone. Betty J. Dong, a pharmacologist, had been contracted in 1987 by Flint Laboratories to run a clinical trial comparing Synthroid, Flint's synthetic version of thyroid hormone, to that of three competing formulations. At the time, Synthroid was the market leader and the most expensive drug in its class. Dong and Flint signed a lengthy agreement detailing the design of the study, and both sides fully expected the results would show that Synthroid was superior.

But all four drugs turned out to be essentially equivalent. In 1990, as Dong prepared a paper for JAMA, the company that was at first so eager to solicit her help, launched a vigorous campaign to discredit the study. Flint then rushed its own paper into press at a less prestigious journal, concluding —surprise!—that Synthroid was superior. After numerous attempts to address the company's criticisms, Dong finally submitted her paper to JAMA, only to withdraw it three months later when the firm threatened to sue for breach of contract. It took the FDA and U.S. Department of Health and Human Services to get the company to back down. Dong's paper did not see print in JAMA until 1997.

In this case, it might seem as if the only real harm to the public during the seven years that elapsed from the time Dong completed her study to its publication was higher prices to patients and insurers. To Rennie's way of thinking, the Dong imbroglio and others like it have a more insidious effect by sending a chilling message to scientists, namely, don't bite the hand that feeds you. In a recent survey of clinical researchers, nearly 20 percent of respondents admitted to delaying publication of their results by more than six months at least once in the last three years to allow for patent application, protect their scientific lead, or to slow the dissemination of results that would hurt sales of their sponsor's product—often without overt pressure from the company. "If you're getting a lot of money from a corporate sponsor, it's easy to get the impression that you'll get even more for future research if you don't write up the negative results," says Rennie—and that your funds will dry up if you do.

The bottom line is that articles appearing in medical journals contain a lot of happy talk about medical products. At least eight studies have shown that industry-sponsored research that gets published tends to produce pro-industry conclusions, according to a review by Yale University researchers that appeared last year in the JAMA. By reanalyzing data from eight separate studies of the effect of conflict of interest on 1,140 published scientific papers, the researchers found that papers based on industry-sponsored research are significantly more likely to reflect favorably on a sponsoring company's drug or device than research that is supported by a nonprofit entity or the federal government.

How can this be? Isn't science, well, scientific, an objective search for the truth? That's what many academic clinicians, especially those who are mixed up with corporate sponsors, would have the public believe. A typical comment comes from Niels Reimers, an early promoter of industry-university ties, who told the *Hartford Courant*, "You may think I'm a Pollyanna or something, but most people are honest. It's sort of the ethos of academic research." Here's Dr. Irwin Goldstein, a Boston University urologist who has consulted for at least seven companies developing impotence therapies: "Science is science. It comes down to the bottom line. What the data shows, the data shows."

Such statements reflect the ideal of science, not the reality, says Dr. Marcia Angell, former editor-in-chief of *The New England Journal of Medicine*. Public protestations aside, she says, "Clinicians know privately that results can be jiggered. You can design studies to come out the way you want them to. You can control what data you look at, control the analysis, and then shade your interpretation of the results." Even the most careful research can be fraught with murky results that require sifting and weighing, a measure of judgment that the researcher hopes will bring him closer to the truth. Was this patient's headache caused by the antibiotic you gave her, or does she have a history of migraines? Is that patient's depression lifting because of the drug you are testing, or because a kindly doctor is actually listening to him?

Sometimes there isn't much that journal editors can do to separate good science from that which has been weighed, sifted, and jiggered according to a corporate sponsor's needs. Increasing numbers of studies that get published are actually written by PR firms, "medical communications" specialists, who then go out and recruit an academic willing to put his name on the paper, for a fee. Other studies simply omit data that detract from the sponsor's message. In September 2000, for example, JAMA published a paper comparing the prescription painkiller Celebrex to over-the-counter ibuprofen. The manufacturer of the prescription drug, known as a selective Cox-2 inhibitor, launched the study in order to show that Cox-2 inhibitors, a class that also

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includes the prescription drug Vioxx and was already worth $3.5 billion a year, cause fewer instances of bleeding in the stomach and intestine than either aspirin or ibuprofen. The huge study, which looked at six months of data from more than 8,000 patients, produced unambiguous results: There were fewer side effects among patients on the Cox-2 drug.

The author of a medical journal review article can have direct financial relationships with the manufacturers of drugs he is critiquing and still believe he has done nothing unsavory.

A year later, news surfaced that patients had actually been followed for 12-15 months at the time the JAMA paper came out, not six, and that during the second half of the study, the group taking the Cox-2 drug suffered higher rates of gastrointestinal side-effects than patients on the over-the-counter painkiller. To make matters worse, patients on the Cox-2 developed serious heart problems three times more often than those on ibuprofen. The authors of the paper—all of them either consultants to the manufacturer or employees—defended their decision to report only the first, positive, half of their study, saying several patients who weren't taking the Cox-2 drugs dropped out after six months, making the statistics more difficult to analyze. But Dr. Catherine D. DeAngelis, JAMA's editor-in-chief, told *The Washington Post*: "I am disheartened. We are functioning on a level of trust that was, perhaps, broken."

Disheartened? Not furious? No, because DeAngelis could not know for certain whether or not the authors held back half the data in order to make their sponsor's drug look better—no matter how likely that explanation may seem. When researchers submit papers to a journal, the editor has little choice but to trust the authors have employed a ruthless skepticism when viewing their own results, that they have bent over backwards to minimize self-delusion. Editors and peer reviewers can ferret out sloppy reasoning, look at how an author has designed and executed a study, and correct faulty statistics, but as Angell remarked, "We don't put bamboo slivers under their nails. If they wanted to lie, they could lie."

Articles of faith

Dr. Arnold Relman began worrying about this problem way back in 1977, when he became editor-in-chief of *The New England Journal*. That year, Relman got a call from a reporter about a paper that was due to appear in the next issue, discussing serious side effects—including lowering a man's testosterone and sperm counts—of a popular antacid. The reporter wanted to know what Relman intended to do about the fact that Wall Street analysts had acquired early copies of the paper and now the stock of the company that made the drug was falling.

Relman, who began practicing medicine in the 1950s and calls himself a "relic," says before that reporter's call, it had never occurred to him that medical research could have financial consequences for industry. But the more he thought about it, he told me recently, "the more I became convinced that the commercialization of medical practice and medical research, and the use of the information for commercial purposes, was a major threat to the integrity of the whole system." He recognized that medical researchers, being only human, would have trouble applying that ruthless skepticism that was so necessary to good science when there was money at stake.

The obvious solution to Relman and Angell, who was by then a deputy editor at The New England Journal of Medicine, was disclosure. Forcing authors to tell the world they were taking industry money, the editors reasoned, would prompt a little soul-searching among researchers who might otherwise be inclined to turn a blind eye to negative results or shade conclusions in favor of a corporate sponsor. It would put them on notice that readers would be watching. The editors also figured that disclosure would help readers judge the validity of an author's conclusions. "They could evaluate the data for themselves," Relman told me recently. "But the discussion, the interpretation by the author can be slanted . . . it was still important for readers to know when articles were sponsored by industry." JAMA, largely at Rennie's urging, followed suit soon after.

Six years later, Relman upped the ante by barring researchers with conflicts of interest from writing editorials or review articles—like the one penned in *Nature Neuroscience* by Charles Nemeroff—because they carry great weight with doctors in private practice. Angell explains their decision like this: "Imagine a judge who has before him a case involving two companies suing each other—and he owns one of the companies. And he says, 'Not to worry. I'm a judge and I learned how to evaluate things in a dispassionate way.' He'd be laughed out of court." She and Relman argued that just as judges must recuse themselves from cases in which they have financial ties to a litigant, editorialists and review authors with conflicts of interest should refrain from offering medical opinions.

Angell was still defending that decision a decade later, as editor-in-chief at the *Journal*, when she wrote in 2000 that disclosure was not sufficient to preserve the integrity of the science that appeared in her journal's pages: "We believe that a policy of *caveat emptor* is not enough for readers who depend on the opinion of editorialists." Why was it necessary to defend the journal's policies? Partly because authors were ignoring them. In 1997, when Sheldon Krimsky, a professor of public policy at Tufts University, surveyed 61,134 articles in some 181 journals, he found that only 0.5 percent disclosed a con-

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flict of interest related to the topic of the article, an impossibly low number given the fact that a quarter of biomedical researchers at the time were receiving funding from industry. The reason for this low rate of disclosure, as Krimsky notes dryly in his book, *Science in the Private Interest*, is that "author compliance is not especially high."

"Lots of eminent people took great offense at being accused of being influenced," Relman told me recently. "'What an insulting thing to say. I value my reputation; doctors and scientists know best. Trust us.' I spent the first 25 years of my career doing clinical research and being one of them, and I know the feeling." As Harvey Lodish, professor of biology at MIT, huffed to *Technology Review* in 1984, when Relman first required disclosure at the *Journal*, "Scientists have all kinds of private consulting arrangements with biotechnology companies and many own stock in these companies, but that's nobody's business. It has nothing to do with the quality of their research."

"They actually believe that they aren't influenced," says Angell. Aside from the fact that it's not in physicians' self-interest to acknowledge the effects of corporate money, they may have a hard time seeing the problem for the same reason fish don't know they're swimming in water: Doctors are surrounded by conflicts of interest almost from the moment they arrive at medical school. Pharmaceutical companies begin wooing young doctors with small tokens at first, pens and coffee mugs emblazoned with drug logos, then escalating to pizza night for medical residents, dinners at expensive restaurants and tickets to sporting events. Most schools offer a class in medical ethics, but there's no requirement that they discuss conflict of interest. Besides, a few lectures can't outweigh the message young doctors absorb every day, as they watch the icons in their profession—their professors, visiting lecturers, heads of departments—taking gifts, speaking on behalf of companies, flying first-class to medical meetings in Paris and Honolulu. By the time medical residents enter private practice or the lab, the gifts from industry no longer seem like gifts, but entitlements—just another way to be compensated for all those brutal, slogging years of lousy pay and long nights.

A journalist friend of mine recently told me about the day his then-girlfriend, who was a neurosurgeon, received a check for several hundred dollars in the mail, along with a note from a drug company representative. It seemed his girlfriend had made favorable mention of a particular drug during a lecture she delivered a few days earlier, and the money was just a little thank you from the manufacturer. When my friend told her she could not in good conscience cash the check—that it was a conflict of interest—she looked at him, he said, as if he were speaking in some unintelligible language.

This deafness to the power of money to corrupt medical science leads physicians and scientists to display an arrogance and a remarkable naïvete, both of which were very much in evidence in a snippy editorial entitled, "Avoid Financial 'Correctness,'" written in 1997 by the editors at *Nature*. They derided disclosure as a waste of time, writing, "This journal will persist in its stubborn belief that the research as we publish it is indeed research, not business." The Nemeroff case has not changed the editors' view substantially, although they did alter their policy after it broke. Nature Publishing now requires editorial and review writers, along with the authors of original research papers, to inform readers whether or not they have conflicts of interest, or to say they decline to declare. Charles Jennings, executive editor of *Nature*, says they have no intention of following the *New England Journal* in barring editorialists who have conflicts. "I flatly disagree with that policy," he told me. "That would exclude many of the leading experts. You don't want a policy that prevents Thomas Edison from writing about the future of electricity. Our position is for readers to decide for themselves about whether an author is biased."

Of course, most readers, especially practicing physicians, don't have the expertise or the resources to decide for themselves—to know how the studies might have been constructed differently, whether the conclusions have been shaded to favor the author's sponsor, or which data the author decided conveniently to leave out of the article. Knowing that an author might be biased doesn't aid in determining the extent and nature of the bias. It's not as though there will be two articles, one by a biased writer and one by an unbiased writer, published side by side to allow readers to identify the differences. Besides, conflicts of interest are now so pervasive, says Rennie, many readers scarcely take note, even when they're disclosed.

Race for the cure?

It's tempting to wonder what medical research would look like if universities and medical associations and editors of journals stopped talking about how to manage conflict of interest and started thinking about how to expunge it. Just say no. Proponents of Bayh-Dole will object, claiming the pace of medical advances will slow to a crawl, but bear with me for a moment and just imagine a different universe. Let's start with the medical schools—those temples of higher learning. They would be the first to cast out the drug merchants. Hospitals would pay their medical residents a decent wage so they can afford to buy their own beer and pizza. FDA advisory panelists who have a financial stake in the drug being considered would not be allowed to vote. And if the journals stopped publishing papers and editorials penned by academic clinicians with conflicts of interest, authors would be forced to choose between taking scientific credit and taking the money.

Of course, that's not going to happen unless academ-

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ic clinicians somehow decide there's something wrong with the status quo. In Sheldon Krimsky's view, the only way to deter conflict of interest is for academics to feel shame. Maybe so, but as a journalist who has spent a decade and a half peering at medicine from the outside, nose pressed to the glass, I'm struck more than anything by the apparent lack of shame among clinicians when it comes to this issue.

Here's a little thought experiment. Imagine that a medical journalist—me, for instance—makes a tidy sum writing press releases for, say Pfizer, the manufacturer of Viagra. I don't make a fortune, maybe just enough to cover a year's tuition for my son's private high school. And let's say for the sake of argument I also buy a few dozen Pfizer shares. Then I turn around and write a story for *The New York Times* about several new drugs for treating erectile dysfunction.

What would you think, dear reader, should my financial relationship with the pharmaceutical company that makes one of the drugs featured in my story come to light? Would you have reason to doubt its objectivity and accuracy? Of course you would. Not only that, I would be ashamed to show my face in any newsroom, and I would not be writing for the *Times* again. I'm not trying to claim that journalists are paragons of virtue, but we have no illusions about our ability to withstand temptation and avoid shading what we say when faced with a wad of cash.

Not so in medical research. In that world, the author of a review article can have direct financial relationships with the manufacturers of drugs he is critiquing and still argue he has done nothing unsavory. What that suggests is a sense of fiduciary responsibility is not built into the professional code of medicine, a doctor's internal compass of right and wrong.

And of course there are also pecuniary reasons not to acknowledge the power of money. The fact is, universities and doctors have become so dependent on industry largesse they can't even imagine disentangling themselves. Repeal the Bayh-Dole Act? Not on your life. Kick the drug representatives who wheel their little carts filled with sample packets of drugs out of your office? Who would pay for all those trips to medical meetings in exotic locales?

Company line

And so they try to manage it. About half of universities require that faculty disclose their conflicts of interest. A scant 19 percent set limits on the outside financial interests faculty may hold. Harvard University, long considered a paragon of scientific virtue, is now considering relaxing its rules governing industry collaborations. Now that Angell is gone, even the once-starchy *New England Journal* has loosened its restrictions on editorialists and review writers, who are now free to enjoy some corporate largesse, just not too much. "They think it's possible to be virtuous and rich at the same time, to take money from companies and then manage it," says Angell. "They come up with rules that are so complicated in order to give the appearance of worrying about this, when what they are really worried about is the money might go away."

All their managing doesn't seem to be working, and we are the ones who will suffer the consequences. In March 2000, the FDA yanked a diabetes drug called Rezulin off the market after it had been linked to at least 90 cases of liver failure and 63 deaths. The withdrawal came three years after the agency had approved the drug to great fanfare. Articles in the popular media quoted diabetes experts who praised Rezulin, calling it "a truly novel approach," and the manufacturer, Warner-Lambert, enjoyed a spectacular 144 percent rise in its stock price.

By the fall of 1997, however, the FDA had already begun to receive reports of patients on Rezulin suffering liver failure, a side-effect that the agency's advisory panel glossed over during its deliberations. A paper published in the *New England Journal* also made scant reference to liver toxicity, saying the drug was "well tolerated, and most adverse events were considered to be related to the underlying diabetes." Several clinicians with ties to the company subsequently urged the FDA not to withdraw the drug, even as the body count was rising. According to a *Los Angeles Times* investigation, at least 12 of 22 scientists who played a central role in the federally-funded study of Rezulin received research funding or other compensation from Warner Lambert, while four of the 12 voting members of the FDA advisory panel that approved Rezulin, and kept it on the market an extra 30 months, had financial ties to the company.

When industry has penetrated every level of medicine from the lab bench to the FDA advisory panels, from the pages of the medical journals to your doctor's prescription pad, how are physicians to make decisions about treating their patients? How are they to know whether or not expensive calcium channel blockers are really better than over-the-counter diuretics for high blood pressure? (They're not.) Should you take a mildly depressed teenager to a psychotherapist, or put him on an antidepressant and risk sending him into a suicidal tailspin? Maybe a cholesterol-lowering statin drug will prevent this patient from suffering a heart attack, as the studies claim. Then again, maybe it will simply cause her muscles to break down and destroy her kidneys, one of the drug's side effects.

And what about us patients? What are we to do with the knowledge that much of what passes as science in medicine is little more than gussied-up marketing? There isn't much we can do. And so, I say if you're ill, if you are ailing, or just sick at heart, go find a doctor who listens, who holds your hand. Just make sure you find a doctor who looks at evidence, not opinion, and when she pulls out the prescription pad, start asking a lot of questions. ◆

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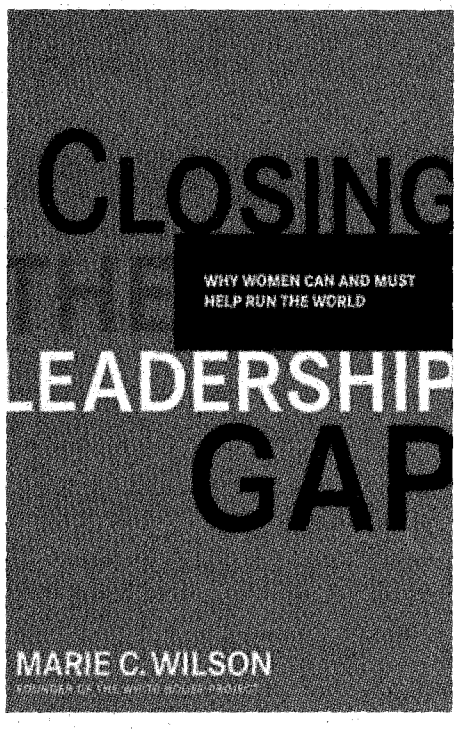
Closing the Leadership Gap:

Why Women Can and Must Help Run the World

Published by Viking Penguin on sale March 8, 2004



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Sitting Duck in the Mekong

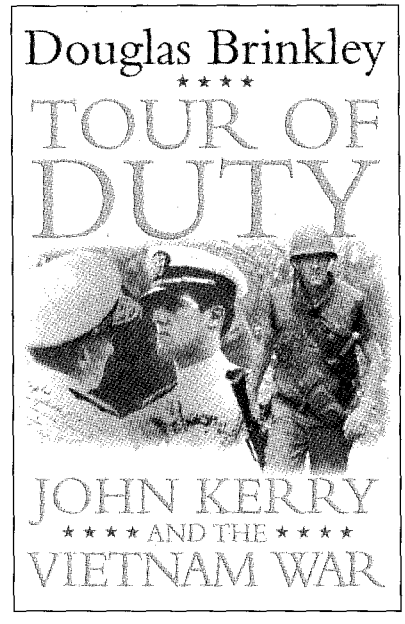
John Kerry's war years.

By James M. Perry

If there is one main reason Democratic primary voters have flocked to Sen. John Kerry (D-Mass.), it is the belief—greatly encouraged by his campaign—that his valiant service in Vietnam will give him the stature necessary to defeat President George W. Bush in November. Between now and then, however, the country will wrestle with two big questions about Kerry's Vietnam experience.

First, why exactly did he choose to fight? Why would someone who publicly professed (as Kerry did as a college student) great skepticism about the war, volunteer—not only to serve, but also to take on one of the Navy's most hazardous assignments, engaging the Viet Cong in the Mekong Delta? And why, once in theater, did he fight with such boldness that he earned a chest full of medals and the admiration of his more gung-ho colleagues?

In his new book, popular historian Douglas Brinkley provides a wealth of material to intensify this debate. He has mined Kerry's wartime correspondence; interviewed friends, family, fellow veterans, and the senator himself; and woven together a fascinating (and flattering) tale of Kerry's Vietnam years. Yet, the book provides no definitive answer to these questions; Kerry's motives and reasons, then as now, remain complex.



Tour of Duty: John Kerry and the Vietnam War
By Douglas Brinkley
William Morrow, $25.95

The second big question is why, after having fought the war so energetically, did he go on to protest it with equal vigor? Here, the book gives a much clearer answer: Kerry's Vietnam experience fully confirmed his earlier suspicions. The particular combat missions his superiors sent him on were—like the war as a whole—ill-conceived, bloody, and pointless.

"I have been thinking a lot about Vietnam and the reasoning of the uncommitted soldiers," Navy Ensign John Forbes Kerry wrote his parents early in 1968. "How one can oppose the war and still fight it?"

Kerry at the time was serving in the Pacific aboard the destroyer USS Gridley. A few days after writing this to his parents, he learned that his best friend, Dick Pershing, grandson of famed World War I general "Black Jack" Pershing, had been killed in combat in Vietnam. Kerry was devastated, writing to Julia Thorne, who would become his first wife, that he was prepared to do everything he could "to bring to people the conviction of how wasteful and asinine is a human expenditure of this kind."

Yet instead of rounding out his service in the relative safety of the Gridley, Kerry volunteered to command one of the little boats called Swifts, and so went face-to-face with the Viet Cong. The Navy didn't offer many assignments more dangerous than that.

Why did he do it?

Much of what moved him was straightforward patriotism—"[H]e came to realize that now, more than ever, he had to perform his own duty to his country," Brinkley argues, "even if it meant dying in the waters off

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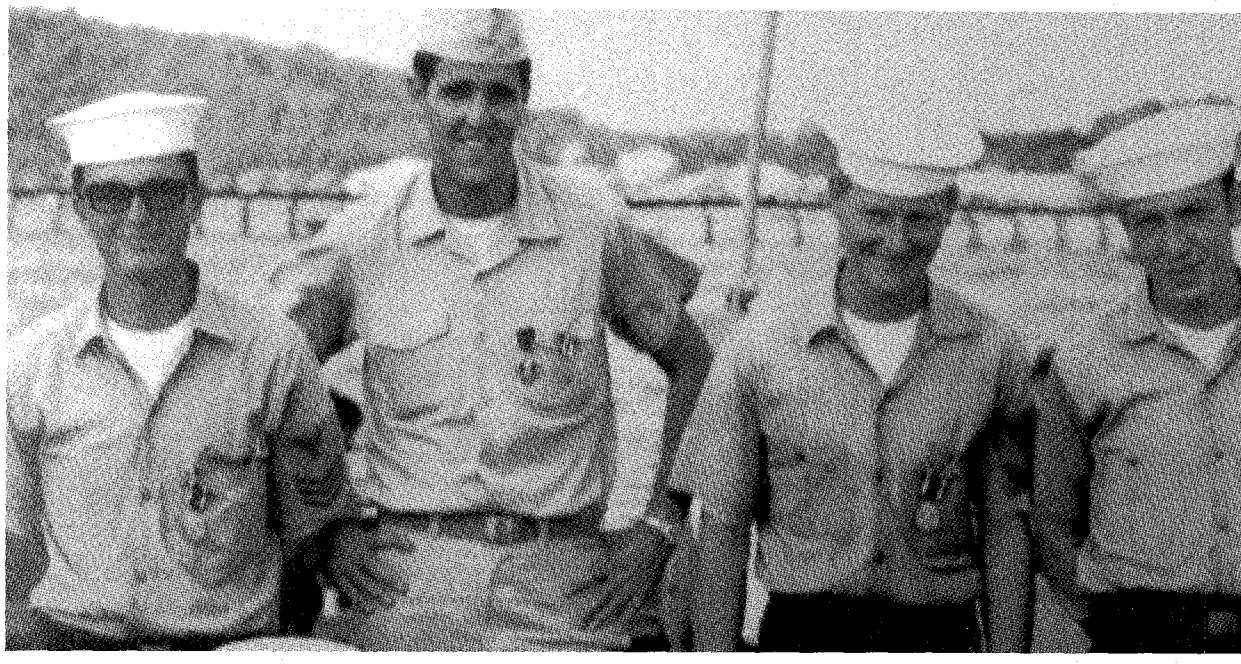

Getty Images

South Vietnam." Kerry also felt a surge of fury over Pershing's death. The enemy had killed his friend, "and he was ready to kill them if he had to," Brinkley says.

But there were yet other reasons. Kerry, notes Brinkley, was a "qualified risk-taker ... He enjoyed 'extreme' sports before they had the name: downhill racing, surfing, parasailing, full-impact ice hockey, motorcycle riding, you name it," and also felt, Brinkley believes, "inexplicably drawn to combat." Like many a young man, he wanted to know how he would react under fire. But what most comes across in Brinkley's telling is Kerry's abiding intellectual curiosity. He wanted to know everything he could about war generally, and the Vietnam conflict in particular. He read voraciously, everything from Erich Maria Remarque's World War I trench warfare novel, *All Quiet on the Western Front* to the latest Vietnam dispatches from journalists like Neil Sheehan and David Halberstam. He kept a detailed diary of time in the service, often tape-recording his thoughts and observations, with some idea of eventually writing a book about his experiences.

Like his hero, John F. Kennedy, the Brahmin-born Kerry had a passion for small craft, having learned the art of sailing as a teenager along the Cape Cod coast. (Indeed, during his senior year in high school, while dating Jacqueline Kennedy's half sister, Kerry spent a memorable afternoon watching the America's Cup race with the president aboard the Kennedy family yacht.) Swift boats bore more than a passing resemblance to the PT boats Kennedy had piloted in World War II. "Although built a generation apart, both crafts were speedy and versatile," writes Brinkley. "Either could afford the young officer in charge a chance to test his seafaring mettle, without too much supervision—to be of the U.S. Navy, but also apart from it." Upon seeing a Swift boat for the first time, in Danang harbor, Kerry admitted in a letter to his parents, "I thought jealously of my own desires to have one."

The parallels between Kerry and Kennedy—both of them JFKs, both Ivy Leaguers, both senators from Massachusetts, both Navy combat heroes—are indeed eerie. But seemingly small differences between the crafts they commanded suggest big differences between the wars they fought. Kennedy's now-legendary wooden-hulled PT-109 was designed and built with a specific purpose: to torpedo and sink enemy ships, the larger the better. The aluminum-hulled Swift boats, by contrast, were designed and built in a hurry by a company that specialized in water taxis for offshore oil rigs. They were eventually used for combat purposes, for which—despite the addition of three .50-caliber machine guns—they had never been seriously intended.

The Swifts carried a skipper and a crew of five. Kerry commanded two such boats, PCF-44 and PCF-94 (PCF stood for "patrol craft, fast"). The Swifts were first deployed in Vietnam as coastal patrol boats—a not unreasonable function. Kerry saw some of this duty, but it bored him, and he soon volunteered for a more exciting (and hazardous) assignment: taking Swifts into the rivers and canals of the Viet Cong-controlled Mekong Delta.

In charge of the campaign, dubbed Operation Sealords, was a figure straight out of *Catch-22*, Capt. Roy Hoffman. According to Brinkley, Hoffman "sought to convince his Swift boat skippers to do whatever it took to notch splashy victories in the Mekong Delta and thereby get him promoted." Up until Hoffman's arrival, Swift boat crews had broken the monotony of routine offshore patrols by dashing up the Mekong Delta distributaries, in areas swarming with Viet Cong, with guns blazing, just for sport. To Hoffman, it was a lot more than that—seeing in such theatrical operations his path to success and glory, he made those hell-for-leather dashes the key part of the little boats' mission.

Kerry came almost immediately to understand—as did almost everybody assigned to the Swift boats—that there was no point to these mad runs. The

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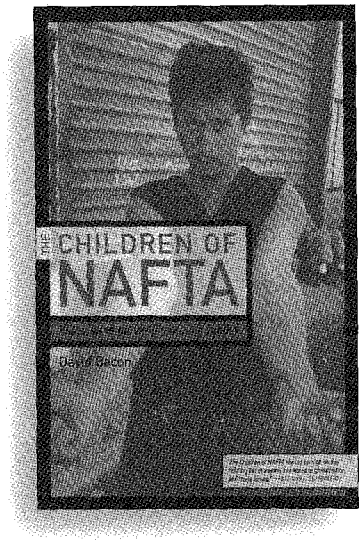

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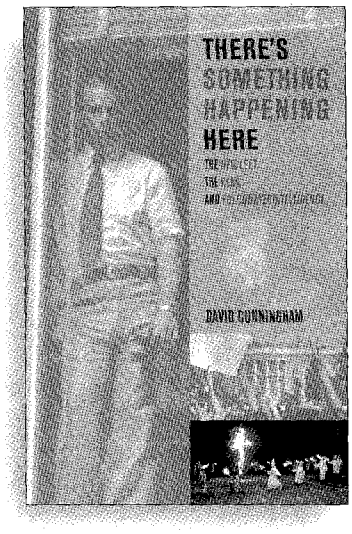

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boats had no armor to protect them from enemy fire. They were accompanied by no infantry, save for occasional Navy SEALs hitching rides. Without infantry support, there was no chance of occupying Viet Cong territory or running down significant numbers of VC soldiers. The boats' engines were so noisy that when the wind was right they could be heard coming from three miles away, and, perhaps for that reason, had enormous trouble running down junks and sampans infiltrating weapons to the enemy. "For anyone wanting to smuggle contraband, we actually made the task easier," Kerry confided in his journal. "All they had to do was hide in a mangrove or in a small canal until we had passed by." The fact is, Kerry confessed, in all the time he served in his two Swift boats in Vietnam, he and his men never tracked down any contraband—not so much as a single rifle cartridge.

Lt. Kerry and Gen. Grant

This was the U.S. Navy's second riverine war, the first being the Civil War, when Gen. Ulysses S. Grant, among others, used river gunboats to soften up Confederate forts and artillery positions. But these were big, powerful boats—175 feet long, 52 feet wide, covered with steel plates almost three inches thick and armed with 13 guns, including 9- and 10-inchers, yet drawing only six feet of water. It is not too foolish to wonder if, with some adaptations (machine guns instead of heavy artillery, and modern engines), Grant's boats might not have been more suited to the Mekong Delta than the small, unprotected Swifts.

At one point, six Swift boats, Kerry's included, were ordered to move up to the Bo De River by way of lesser rivers and canals, whence, it was hoped, they could break away to safety. "Nothing I had ever heard of seemed so tactically stupid," Kerry wrote. The boats were ambushed, took casualties, but still managed to complete the mission, doing nothing to discourage the enemy. It was all part of a pattern.

At one point, Kerry participated in an operational assessment in Saigon presided over by Adm. Elmo Zumwalt, and reports that he asked how, "if our job was ostensibly interdiction of supplies, they could justify offensive operations such as we had been sent on?" Kerry was told the purpose was to show the flag—the American flag. Wouldn't it be better, he wondered, if we showed the flag of South Vietnam, seeing that was who we were fighting for? Indeed, the newly-elected President Richard Nixon had changed the war's strategy to one of "Vietnamization." But Kerry knew the answer. He had seen firsthand how risk-averse and unmotivated the South Vietnamese soldiers and sailors generally were. Vietnamization was nonsense.

The particular combat missions Kerry was sent on were, like the war as a whole, ill-conceived, bloody, and pointless. He was, for example, assigned to pilot Swift boats—unarmored ships with no infantry support and engines so noisy they could be heard three miles away -- down the canals of the Vietcong-controlled Mekong Delta.

Meanwhile, Operation Sealords kept right on going, at an even more frenzied and meaningless pace. In one of the sorties, Kerry, now in command of PCF-94, felt a piece of hot shrapnel from a rocket-propelled grenade dig into his left thigh—the second of his three wounds, none of them life-threatening.

Though he doubted that the war could be won, and by now felt certain his role in it was wasteful and idiotic, he and PCF-94 fought on with astonishing valor and even foolhardiness. In one of the operations, sensing an enemy ambush, he grounded his boat, took off with an M-16 rifle, and ran down and killed a VC trying to arm a B-40 rocket launcher before he could fire. "He (Kerry) saved the day and our lives," Fred Short, one of his crewmen, said. Kerry won a Silver Star for his valor, pinned on his chest by Admiral Zumwalt himself.

He won a Bronze Star later for reversing his boat, under fire, to pick up an Army officer who had fallen overboard. He got a small piece of a grenade "in my ass" from one of the explosions, earning him his third Purple Heart and a pass to go home.

"By any standard," says Brinkley, "John Kerry had become a bona fide war hero." And so he had, in a war he opposed and in a role he thought to be ludicrous.

There is no example in American history that I can think of, in which a future presidential candidate fought with such valor for a cause so obviously perverse in his own mind. Maybe Grant, who opposed the war against Mexico but fought in it nevertheless. But then Grant was a West Pointer who took orders as a matter of course. Nothing compares to John Kerry, who came home, shed his uniform, and campaigned against the war with the same passion he had displayed in fighting it.

In spite of the danger and madness of the mission, Kerry in many ways loved the experience. He was a product of an elite boarding school (St. Paul's) and an elite university (Yale). In his entire life, he had never mingled with such a collection of working-class Americans. The men who served with him came to admire, respect, and, in time, from all indications, love him. They show up with him now on the stump, and their presence animates him. They do represent a band of brothers, and that speaks volumes for his character. Only John Kerry could explain why he fought with so much courage and intensity in a war he despised. Duty, certainly; ambition, perhaps. But so he fought, and we owe him something for it.

James M. Perry was for many years a political writer with *The Wall Street Journal*. His most recent book is *Touched with Fire: Five Presidents and the Civil War Battles that Made Them.*

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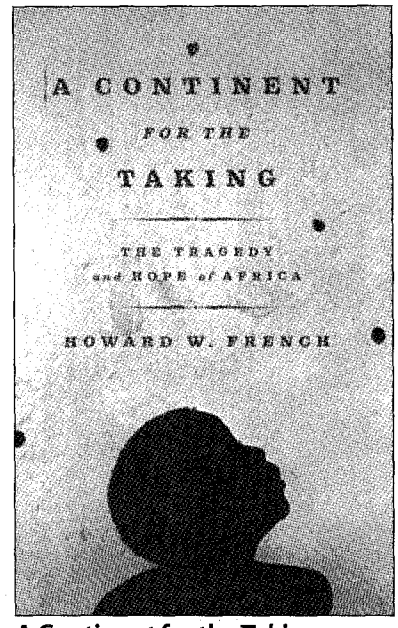
Why Africa Can't Catch a Break

Malaria, ebola, and Gen. Butt Naked.

By Joshua Hammer

Early in his rambles through West Africa as a correspondent for *The New York Times*, Howard French arrived in Lagos, the steamy financial capital of Nigeria. The most populous nation in Africa had just been taken over by Gen. Sani Abacha, a sinister figure who concealed his eyes behind dark sunglasses and who had a predilection for ordering Mafia-style hits against political opponents. Nigeria's promise had long since been frittered away by a succession of corrupt military dictators and civilian rulers, but under Abacha, who seized power in 1993, the thievery had become ever more brazen. Within minutes of his arrival, French was set upon by both a rapacious immigration official and a soldier who demanded his passport and threatened him with arrest. Then the reporter's Nigerian "fixer," David, stepped in, rebuking the assailants and holding firm even as the soldier raised his gun. As the soldier beat a retreat, David offered French some cogent counsel. "You must never fear those people," he says. "If you do, you are finished."

It is a piece of advice that French had repeatedly to fall back on in the course of his four years as the *Times'* roving bureau chief based in Abidjan, Cote d'Ivoire. *A Continent for the Taking: The Tragedy and Hope of Africa*, his vivid, disquieting memoir of those times, conjures up a succession of failed states in which the shakedown is a way of life, destitute soldiers terrorize civilians at will, and the slightest display of weakness becomes an invitation for predation. In chapter after evocative chapter, he chronicles the murderous kleptocracy of Abacha in Nigeria, the outbreak of the deadly Ebola virus in Zaire (now the Democratic Republic of Congo), the drug-and-diamond-fueled carnage in Liberia, and the epic fall of Zairian dictator Mobutu. It's depressing, Hobbesian stuff. Yet in sharp contrast to *Out of America*, Keith Richburg's bitingly pessimistic account of his years as an African-American correspondent covering the Rwandan genocide and clan warfare in Somalia, French, also an African American, sees Africa as a continent still dense with possibility. The tug of war between ordinary citizens yearning for democracy and ruthless leaders determined to squelch those aspirations is one of the driving themes behind French's book. So, too, is the often-destructive role played by the United States, which, as he documents, propped up the worst of these dictators and demagogues, then often stood by as their nations disintegrated around them.



A Continent for the Taking: The Tragedy and Hope of Africa
By Howard French
Knopf, $25.00

To illustrate his case, French zeroes in on Liberia, America's unloved stepchild, a malarial backwater founded by freed American slaves before the Civil War. Tensions between the Americo-Liberian elite and native Liberians rose to boil just as Liberia—valued by the United States as a source of rubber and a listening post—dropped off the American radar screen at the end of the Cold War. In the aftermath of the 1990 assassination of President Samuel Doe, the semiliterate dictator propped up by the Reagan administration, U.S. Marines waited off shore while "churches full of huddling people became scenes of unimaginable [ethnic] slaughter," French writes. Meanwhile, Charles Taylor rampaged through the countryside with his Small Boys Units—child soldiers fueled by drugs and blind loyalty to the surrogate father-figure they called "Pappy." Unwilling to commit troops anywhere in Africa after the Somalia debacle, the Clinton administration sloughed off the peacekeeping burden on ECOMOG, the corrupt Nigerian-dominated pan-African force that eagerly joined the tribal militias in the looting of Monrovia in 1996. An all too familiar scene ensued: U.S. military helicopters rescued expatriates, leaving Liberia's civilians at the mercy of warlords such as Gen. Butt Naked, who "doused himself in a potion made from cane juice that he swore protected him from bullets."

French's most enthralling chapters

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detail the dramatic final days of Mobutu Sese Seko, the astonishingly corrupt Zairian dictator backed for decades by the United States while he drove his country to destitution. French brilliantly captures the *fin de siecle* whirl of Kinshasa, the muggy Congolese capital on the Congo River, moving to the electric beat of soukous music and the entrepreneurial hustle of its desperate masses. In 1996, Rwandan troops invaded the country to empty Hutu refugee camps that had become staging grounds for a reprise of the genocide, and Mobutu's end game began. French's reporting is at its best here, as he chronicles the unlikely rise of Rwanda's front man Laurent Kabila and the horrific string of revenge killings against Hutu refugees carried out by Rwandan Tutsi troops as they swept toward Kinshasa. "Those forests in the east have witnessed some real horrors," French is told by an American diplomat in Kisangani, "but luckily for the Tutsi, trees can't talk." Yet as French reports, the Clinton administration—motivated in part by guilt over its failure to halt the genocide—turned a blind eye to Rwanda's excesses. U.S. ambassador to Zaire Daniel Simpson "reduced the Hutu problem to a simple formula: 'they are the bad guys,'" French writes. He concludes with Mobutu's ignominious departure from Kinshasa, and the arrival of Kabila, another U.S.-backed despot who reveals himself to be as thuggish and corrupt as his predecessor.

French's engagement with the continent goes far deeper than most Africa-based correspondents. His father was a physician who moved the family from the United States to Cote d'Ivoire, to take a job running rural clinics for the World Health Organization, and French spent four years covering Africa as a young stringer in the early 1980s. He met his first African girlfriend, an émigrée from Mali, on the dance floor at an Abidjan night club, and a trip to her birthplace brought him in touch with the past glories of the continent. (He would later marry a woman from the Cote d'Ivoire.) He writes with pride of a continent that produced Timbuktu, the great mosque of Djenne, and the Ashanti Kingdom—a proto-nation state with defined boundaries, a central government, a police force, an army, and a national language. And throughout the book, he ponders the reasons for the long decline into violence and destitution. Looking for answers, French offers fresh and thoughtful takes on the usual suspects: the legacy of centuries of slavery, brutal colonial exploitation, and the failure of colonial masters to leave behind any working institutions. Huge, potentially rich countries like Zaire and Nigeria were done in, he writes, by "the confusion sown by arbitrary borders, by the abrupt and haphazard imposition of alien political systems, by deliberate Western destabilization and finally by the economic turmoil that logically ensued."

French vividly conjures up a succession of failed states in which the shakedown is a way of life, destitute soldiers terrorize civilians at will, and the slightest display of weakness becomes an invitation for predation.

French makes a strong case for all of these factors. At the same time, however, he is too willing to let Africans themselves off the hook. The ruinous depredations of Zimbabwe's Robert Mugabe, for example, the horrors perpetrated by Charles Taylor in Liberia and Foday Sankoh in Sierra Leone can't all be laid at the doorstep of European slave merchants and colonizers.

Africa's ruinous civil wars and ethnic strife also reflect a total failure of the political class, of elites who view government office as an opportunity for personal gain, of rulers who owe their primary allegiance to clan or tribe.

French faults the United States for failing to impose an oil boycott on Nigeria during the brutal rule by Abacha. But the failure of African leaders to speak out boldly against the tyrants in their midst—witness the stubborn refusal of South Africa's Thabo Mbeki to isolate Mugabe economically and politically—also helps to legitimize these thugs and demagogues.

Not all of Africa's rulers seem determined to lead their countries to ruin. In Mali, French meets President Alpha Oumar Konare, the country's first popularly elected leader, a noted archaeologist determined to safeguard both the country's fragile democratic institutions and its rich cultural heritage. Yet staggering under massive international debt—the legacy of Konare's dictatorial predecessors—the president and his allies wonder how long they can maintain popular support. "We service our country's debt on time every month, never missing a penny, and all the time, the people are getting poorer and poorer," says Amadou Toumani Touré, the founder of Malian democracy and a successor to Konare. French also finds fragile hope in the yearnings for democracy and entrepreneurial energy of Africa's beleaguered citizens. "Our dreams are the dreams of people everywhere, aren't they?" he is asked by a former copper mine manager in East Kasai who survived Mobutu-directed ethnic pogroms in Lubumbashi, Congo. Now he's returned home to build a virtual independent entity in this neglected corner of his nation. "We want to be able to turn on the lights and read to our children at night. We want affordable cement so that we can build houses for our families... If we had our own state we could take charge of that. But who can wait?" On a misruled continent that seems to be sinking ever closer to a war of all against all, the resourcefulness of its people may offer the best hope for renewal.

Joshua Hammer is *Newsweek's* Jerusalem bureau chief.

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Twisted Sisters

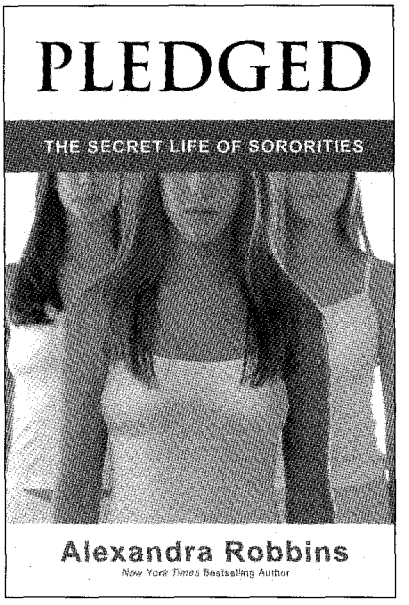
The depravities of some sororities.

By Margaret Sullivan

Mothers, don't let your babies grow up to be pledges. Sorority pledges, that is. Because if you do—according to Alexandra Robbins's often startling study of college sororities—your daughters may soon be piercing their private parts, guzzling grain alcohol until they pass out, and pimping the sexual favors of their sorority sisters. And that's not all. They may be vomiting after every meal to be as slender as their sisters. They may be taking recreational drugs and suffering date rape more frequently than most college students.

If this sounds less refined than the perky, pearl-draped image of college sororities depicted in the last Reese Witherspoon movie, it surely is. And these examples only scratch the surface of a disturbing subculture ruled by out-of-control peer pressure and the lust for prestige. Consider the rampant eating disorders that Robbins reports from one campus, where a plumber was kept busy clearing the pipes that were continually clogged with the vomit of whole housefuls of bulimic sorority sisters determined to eat heartily and still fit into their size 2 jeans.

Robbins's book, both fascinating and eye-opening, tells us a great deal about well-to-do young women in America, and about the pressures on them. It describes a world in which some sorority houses choose their new members on the basis of hair color, and where a young college woman's chief worry is securing her date for the next formal dance. And these are the less worrisome parts of the whole. No matter how many news stories you may have read about hazing incidents, binge drinking, and "Greek" rituals, the details that Robbins reports are often worse. She writes, for example, about the "little sister" programs that some fraternities continue to sponsor, despite their being forbidden on many campuses. The supposedly prestigious and sought-after position of little sister, Robbins writes, includes "sex with many of the (fraternity) brothers, with gang rape a distinct possibility."



Pledged: The Secret Life of Sororities
By Alexandra Robbins

Hyperion; $23.95

Robbins is a 1998 Yale graduate who has become something of a media celebrity largely due to her two earlier nonfiction books, both of which dealt with various aspects of collegiate or post-collegiate life. *Secrets of the Tomb*, published last year, explored her alma mater's exclusive secret society Skull and Bones, whose former members include President George Bush and presumptive Democratic presidential nominee John Kerry. Two years before, she snagged a piece of the Zeitgeist as the wunderkind co-author of *Quarterlife Crisis*, which dealt with the "unique challenges" of affluent twenty-somethings as they move from college to the real world.

However worthwhile a project, *Pledged* has a significant flaw—the decision not to use real names or real locations for the core of the book. Robbins went undercover for an academic year to do her reporting, apparently becoming almost a part of the sorority landscape, although she isn't specific about just how she accomplished this. (A contributing writer for *Cosmopolitan*, Robbins is—according to her press material—"very camera-ready," suggesting that she might be able to look the part of a sorority member or perhaps a sibling or friend.) And she explains that the kind of access she got—which allowed her to reproduce detailed conversations among the young women on topics as private as body-piercing and last night's sexual hookup—was possible only if she completely concealed her sources' identities. (For instance, a sorority sister whom Robbins calls Bitsy, describing her as the "Jedi Master of nether-region rings," regales her friends as follows: "So I didn't get my clit pierced. I got my hood pierced.")

Robbins writes of her reporting method: "I sought out individual sisters who were willing to risk their sorority membership by letting me into their lives for an entire academic year ... I can't divulge how the four girls I chose, who knew they would be

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the main characters in a book I was writing about sororities, introduced me to their sisters, who did not know; and I can't divulge the disguise I wore or the role I played (suffice it to say, I can pass for 19)."

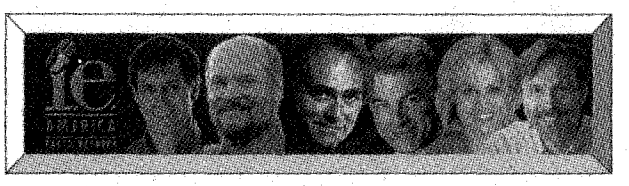
Her reasoning is plausible enough, perhaps. But as a result of this method, most of the book takes place in a hazy neverland Robbins refers to only as "State U." We don't even know what part of the country we're in. And we know the four young women whose lives she tracks in great detail over the course of a year simply as Sabrina, Amy, Caitlin, and Vicki. The resulting vagueness smacks a bit of the style of the women's magazines sold in supermarkets (Ladies Home Journalism, if you will). Given current standards which make journalists more concerned to maintain their own credibility and, therefore, far more cautious about using anonymous sources, this technique is a blow to the book's credibility and authority. It is not, however, a lethal blow. Robbins has still done a great deal of homework in her year on campus, and it shows.

A 1998 Yale graduate who has already become something of a media celebrity due to her two earlier nonfiction books—*Secrets of the Tomb* and *Quarterlife Crisis*—now tackles another aspect of collegiate life: sororities.

Some of what she reports is too strange to be fiction, anyway. Consider the story of one self-esteem-challenged sorority sister, who was raped after a party by a fraternity member she considered a friend. Later in the same year, feeling lonely and rejected by another man, she invited the date-rapist to her room where he obliged her with something close to a repeat performance of his earlier assault.

Robbins writes with empathy and affection for her college-age subjects (whom she anachronistically calls "girls"), many of whom are "sweet, smart, successful and kind." At the same time, and to her book's credit, the author clearly sees the problems of the Greek world in college, with its superficial values and dangerous practices. Early on, she asks: "Why are twenty-first-century women still so eager to participate in such seemingly outdated, ritualistic groups and activities?" She does her best to answer, and—in the final chapter—to suggest reforms, but the appeal of the book is less in its sociology and more in its fly-on-the-wall details, reminiscent at times of reality TV. The paradox, of course, is that those details would be much more powerful if they were attached to reality: actual names and places. But though that was not to be, *Pledged* is still a powerful warning and an astonishing slice of American life.

Margaret Sullivan is an editor of *The Buffalo News*.



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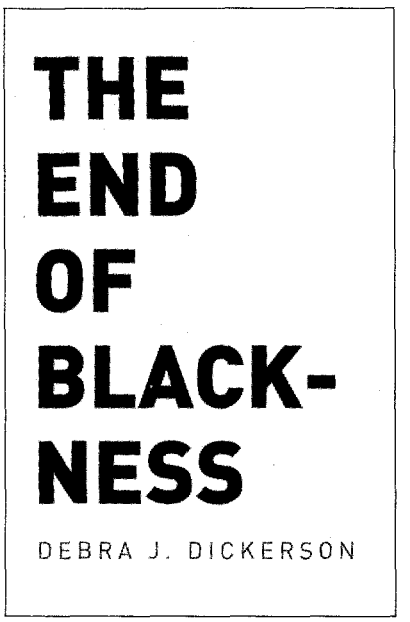
Critical Race Theory

Debra Dickerson argues it's time blacks stop worrying about what whites think of them.

By Ta-Nehisi Coates

In the run-up to the war with Iraq, Harry Belafonte, entertainer and potentate of the old black left, criticized Colin Powell for his role in the Bush administration war effort. Belafonte implied that Powell was a house slave, President Bush the master, and 1600 Pennsylvania Ave., the big house. "In the days of slavery, there were those slaves who lived on the plantation and [there] were those slaves that lived in the house," said Belafonte. "You got the privilege of living in the house if you served the master ... exactly the way the master intended to have you serve him. Colin Powell's committed to come into the house of the master."

The critique was a restatement of an old black-power notion, popularized by Malcolm X. Roughly, it asserts that docile house slaves were foolishly loyal to their masters, while cantankerous field slaves were the real rebels. The analysis is historically specious. Some of slavery's most violent dissidents—Nat Turner, Toussaint L'Ouverture, Denmark Vesey, Gabriel Prosser—weren't exactly intractable field hands. Vesey was free, in fact. The house slave/field slave dichotomy makes for great mythology but always fell down under the weight of historical analysis.



The End of Blackness
By Debra J. Dickerson

Pantheon; $24.00

Belafonte was roundly panned, even by his fellow black leftists, for effectively calling Powell a sellout. But beyond being just a vicious ad hominem attack, Belafonte's critique was woefully simplistic and outdated. Exactly who was Powell selling out and who are the slaves? Black people? Poor people? All Americans? Calling Powell a sellout, tells us nothing about the complexity of an African American, who is popular among other African Americans, and yet is charged with carrying out the foreign policy of a president most African Americans hate.

Belafonte's analysis suffered from a problem of vocabulary, one that has struck many black thinkers over the past few decades. African Americans have entered into an epoch of history where, for the first time, Bull Conner racism is the least of our problems. And yet "the problem of the color-line" still lingers. A gaggle of brilliant scholars from Robin Kelley to Cornel West to William Julius Wilson have sought to articulate this new world where race intermingles with all manner of societal problems to wreak havoc on black communities.

But no one has yet coined a language that describes this new reality in the way W.E.B. Du Bois did in *The Souls of Black Folk*. Du Bois essentially defined black America in the 20th century with his notion of "double consciousness"—the idea that African Americans experience everything in this world both as Americans and as black people. Scholars have come up shaky in their efforts to update Du Bois's simple, but ingenious formula.

In her new book, *The End of Blackness*, Debra Dickerson has a solution for our lexiconal conundrum—throw the entire damn dictionary of race out the window. Dickerson lays out her thesis in the book's introduction: "This book will both prove and promote the idea that the concept of 'blackness,' as it has come to be understood, is rapidly losing its ability to describe, let alone predict or manipulate, the political and social behavior of African Americans."

The idea that race has little social or political meaning is not a new line of reasoning in the debate around black America. But it's usually employed by conservatives—of all races—attempting to down-

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play the impact of racism, or black people cynically seeking to absolve themselves of social responsibility (read: Bob Johnson). Dickerson, to her credit, believes in discarding many of the pillars of black identity, not because it would further her individually, but because she honestly thinks that it's the only path of survival.

White people, according to Dickerson, are victims of "aversion therapy," in that they refuse to see their own complicity in racism. Furthermore, whites "assume their perfection" and exhibit "a continued refusal to see America as inherently, organically multiracial and multicultural." White narcissism, for Dickerson, is only one leg in a historical conspiracy. "Simply put," she writes. "Whites held hands across generations to hold blacks down long enough to ensure that their own heirs would ascend to as much privilege as possible while simultaneously keeping their hands clean."

But—as her very next sentence makes clear—Dickerson does not absolve the black community of responsibility in all this: "Blacks need to accept this and then get over it—and get even...The know-nothingness required to keep blacks tilting at the windmill of white approval is no less odious than whites' determination to remain first among purported equals." For Dickerson, white racism is one giant head trip, and thus can only be as effective as black people's gusto for white approval allows it to be. Black people, she writes, are "complicit in maintaining white supremacy" because they hunger for "white approval or white apology rather than their own autonomy."

While Dickerson's rhetoric exhibits echoes of black nationalism, she turns an unforgiving eye to that philosophy's more recent manifestations. "Carpetbagging Afrocentrists," as she terms them, are at least as much to blame for the predicament of black America as approval- seeking blacks. "Instead of carrying out substantive studies of African history," writes Dickerson. "These charlatans imagine glorious achievements, such as the Bronze Age of African development, airplanes or routinized surgery." Dickerson dismisses today's nationalist community roughly as "Afrocentric hustlers" who are invoking "mytho-ancestors, so far outside the past, as to be in fables."

For all her flame-throwing, caustic denunciations and grenade lobbing, Dickerson does almost nothing to realize her essential thesis—the assertion that "black" is somehow a woefully inadequate way of describing African-Americans.

At some points in her treatise, Dickerson journeys into interesting, and gutsy, terrain. Her critique of the Condoleezza Rice predicament is illuminating and saddening. I've written about my crush on the National Security Advisor and her counter-intuitive allure. But I suspect that Dickerson's opinion, even in its overstated form, is closer to the truth. "To white men, [Rice] is not a woman. To black men, she's not a fuckable woman; even the vaunted black penis cannot bridge the chasm between them...Her having thrived is somehow an affront to the black man. What black masculinity does to white men, black female competence does to black men."

For almost anyone identified with any sort of political ideology, Dickerson's analysis is a bitter pill to swallow. Unfortunately, the book tops out at just that. For all her flame-throwing, caustic denunciations and grenade lobbing, Dickerson does almost nothing to realize her essential thesis—the assertion that "black" is somehow a woefully inadequate way of describing African-Americans. That's because, for all its bluster and vitriol, *Blackness* never emerges as much more than a directionless rant.

And not even a credible rant. Its targets are often strawmen conveniently substituted for less vulnerable objects. In the section of *Blackness* that attacks Afrocentricity, Dickerson ignores the legion of authors who've written on the subject, instead electing to attack Iyanla Vanzant. But Vanzant, a self-help guru, is only vaguely informed by Afrocentricity and certainly has never presented herself as any sort of intellectual. Furthermore, at this point, Vanzant's franchise has extended beyond black people—she had a talk show produced by Barbara Walters. Afrocentricity, is surely responsible for producing its share of crackpots. But Dickerson at once ducks the jokers (Leonard Jeffries) and the more serious scholars (Temple University professor Molefi Asante, for instance, who basically invented Afrocentricity). Instead she picks on Vanzant, thus substituting a bait and switch for a valid critique.

When a strawman slides beyond her grip, Dickerson just makes a generalization and states it as an unassailable truth. "Blacks often ask what their country can do for them, but never the converse," writes Dickerson. This would come as news to the thousands of African Americans in the armed services (puzzlingly, Dickerson once numbered among them) and African Americans who've died in every major American war, even without the basic guarantees of citizenship.

Even when veering into the realm of history, Dickerson can't resist the temptation to take extremely complex problems and reduce them to two dimensions. She claims that Africa was the source of the slave trade because it was "the least urbanized continent" and was

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"defenseless." There are reams of scholarship dedicated to discerning why one of Africa's chief exports turned out to be slaves. Dickerson has, evidently, consulted none of it. That's because she has no need of scholars or scholarship, and the lion's share of her sources are authors (Du Bois, Booker T. Washington, Carter G. Woodson, James Baldwin) who are dead. The result is that *Blackness* feels extremely dated.

Certainly it's admirable that Dickerson is not beholden to any particular ideology. But in her efforts to not be pinned down, Dickerson mounts an intellectual scorched earth campaign and never settles down to stake out any ground of her own.

This is the book's ultimate failure—it broaches no new theories for how African Americans should consider themselves. Despite arguing for the uselessness of "blackness," Dickerson presents very little evidence of why black people should change their names. Instead she relies on generalizations, at best, and stereotypes, at worst, to prove her case. But ultimately she proves the opposite of her thesis—the book has convinced me, beyond a shadow of a doubt, that there are definitely a group of people in this country who are black.

Blackness is the wrong book to convince anyone otherwise. Ethnic monikers (Jewish, Irish, Japanese, whatever), like virtually anything else in the English language, never succeed as complete definitions of anything. They are abstractions applied to realities, and thus bear all the shortcomings of that transition. When the abstract no longer works well enough, people generally jettison it: the Italians are not the Lombards, the French are not the Franks, black people are not Negroes. People know when to change their names—unsubstantiated intellectual hackery doesn't make the process go any faster.

Ta-Nehisi Coates is a New York-based writer for *The Village Voice*.

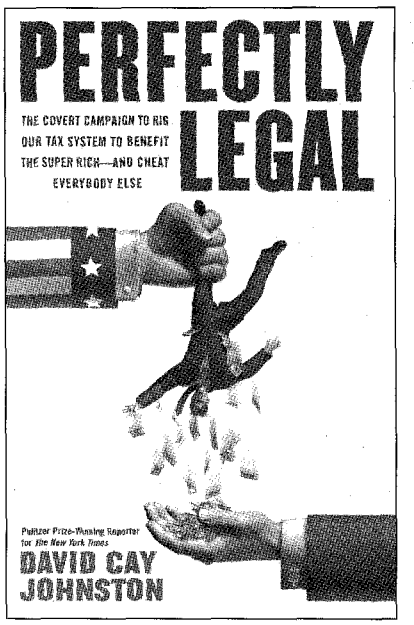
Tax Laxity

How a kinder, gentler IRS breeds cheats.

By Nicholas Thompson

David Cay Johnston is one of this country's most important journalists. A nine-year veteran of the tax beat for *The New York Times*, Johnston combines the best of Eliot Spitzer and Seymour Hersh. He's an old-fashioned crusading reporter who mines the internal revenue bureaucracy and comes up with potent, pertinent reports on tax fraud and other financial shenanigans. Whether reporting on the latest shelter scam or the Bush administration's decision to boost its economic numbers by counting fast food work as manufacturing, Johnston's stories always have steam coming off them. Now, he's poured that decade's worth of hard-won expertise into book form, arguing the tax system itself deserves much of the blame for America's growing economic inequality.

The book's title—*Perfectly Legal: The covert campaign to rig our tax system to benefit the super rich—and cheat everybody else*—isn't subtle. But it does capture the first half of the book, in which Johnston describes how the "political donor class" has manipulated tax policy. Here, *Perfectly Legal* floods the reader with telling statistics and stories. For example, Johnston notes that the share of national income held by the richest 13,360 households grew by



Perfectly Legal
By David Cay Johnston
Portfolio; $25.95

more than 400 percent during the past 30 years—while dropping by 22.5 percent for the bottom nine-tenths of taxpayers. Later, he describes how a minor tweak to the tax code in 1985 allows an executive who flies in a corporate jet for personal reasons to value the perk at half the price of a first-class ticket on his income taxes. Because the company also gets a deduction based on the real cost of sending the executive in the plane, Johnston notes, "it would be cheaper for taxpayers to give away first-class tickets to executives rather than subsidize their per-

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sonal use of company jets."

Such details are shocking. But much like a Hollywood car crash, they're also familiar, and reciting them "en masse" is not Johnston's strong suit. He's much better at explaining the harm done by parts of the tax code most people only dimly understand, such as the alternative minimum tax, or AMT. To the extent that most people know about the AMT, they think of it as something that hits the super-rich but is now migrating down to plain old rich people. In fact, Johnston explains, pretty soon it's going to start hitting the middle class far more stiffly than upper-bracket taxpayers. The AMT was intended to ensure that the wealthy people with expert accountants didn't totally escape taxes. Everyone with deductions that drop his or her taxes below a certain threshold in the normal tax system has to pay up according to AMT rules, and currently about 20 percent of millionaires and one percent of people earning $75,000-$100,000 pay the tax. But because of Bush's tax cuts and the ways that Democrats have expanded the deductions that can qualify someone for the AMT, three-quarters of people in that lower income group will have to pay in 2010, compared to only one-quarter of millionaires. Even now, the AMT is a particular burden on couples with middle-class incomes and large families (possibly a subject dear to the heart of the author, who has eight children).

Johnston's analysis is often compelling. But this half of the book, while stringently-sourced and well-structured, has the tone and bombast of a Michael Moore tome. (No doubt Johnston's publisher wanted to capture a slice of the booming market in political jeremiads.) If you're primarily interested in anti-Dubya talking points, you can stop reading at around page 150. From that point on, Johnston's book is primarily an analysis of the IRS.

But in many ways, it's the second half that is the more interesting and original. Johnson begins with an account of the hearings held by then-Sen. William Roth (R-Del.). Over the course of six days in the fall of 1997 and spring of 1998, the IRS was portrayed as both bumbling and abusive, an organization that kicked down doors and held guns to young girls' heads while forcing them to undress. Though the hearings were dramatic, they turned out to be nearly a complete fraud. Afterwards, a report—which Roth tried to suppress—from the General Accounting Office found that the IRS had acted correctly in nearly every instance Roth had charged it with misconduct. Nevertheless, the hearings were extremely influential and have been used to great political gain by anti-tax activists. As Republican pollster Frank Luntz—who helped mastermind the hearings to translate taxpayer anger into GOP votes—tells Johnston, "Perception is reality. People are afraid whether they should be or not."

After the hearings, the IRS transformed its mission, focusing more on serving customers than auditing them. Agency officials rewarded employees for answering a phone politely more readily than for spotting a doctored return, and switched more than a few from the latter task to the former. After a substantial reorganization, the organization's new mission statement declared that it would "provide America's taxpayers top-quality service." It didn't say anything about collecting taxes.

While a more polite and customer-friendly IRS was undoubtedly a good thing, the agency's easing up on enforcement had a predictably result: Cheating soared. In 2000 and 2001, the organization gave out about $30 million in refunds to people claiming a slavery reparations credit. When Johnston published a front-page story about people who simply refused to pay their taxes, the agency did nothing. On the few returns audited that involved gifts of one million dollars or more, the IRS recommended higher taxes on four out of five. The average understatement on these returns was $303,000, a sum that Johnston writes, "suggests not chiseling or minor differences over an asset's range of values, but calculated cheating."

Some people, however, do still come under the tax man's microscope: working people who apply for the Earned Income Tax Credit, which gives low earners incentives to hold steady jobs by augmenting their wages. In order to save the program from GOP attacks—they claimed it was a fraud-prone welfare program—Bill Clinton had to strike a deal that would lead to intensive auditing of recipients. Today, EITC applicants are eight times as likely to face audits as people earning $100,000 or more, even though the maximum amount of money that someone can get from the EITC is about $4,000 in a year.

Meanwhile, as the IRS goes after underpaid dishwashers, it ignores a number of obvious frauds. The most appalling of Johnston's examples involves small insurance companies, many of which were exempted from taxes a generation ago so that, for example, farmers in rural communities could get fire insurance on their barns. But, because of a quirk introduced by the 1986 revision of the tax code, companies figured out that they could create their own fictitious insurance companies and use them to shield capital. Johnston details one alleged insurance company, IAT Reinsurance, which earned $179 million in profits while collecting just $3,000 in insurance premiums: a pretty obvious sign that it had business other than protecting farmers' barns. Yet the IRS has never gone after IAT Reinsurance or any of its peers.

Perfectly Legal offers three main hypotheses for why the IRS does such a bad job at catching the big guys. One is that the agency is often over-matched talent-wise and under-resourced technologically. Despite the 1998 overhaul, the IRS still has nine different computer systems which don't communicate with each other. Combined with an increase in the number of filers during the 1990s and a decrease in the number of auditors, resources per tax return plummeted by half between 1988 and 2002.

Second, the tax code has steadily become more complicated, each added layer of complexity giving people in the know—or rather, their lawyers and accountants—more opportunities to cheat, or at least finesse the laws. At the same time, markets have become more international, allowing companies to

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open offices offshore to take profits in countries with lax tax systems and take expenses in the United States. Poor people don't get the same chances, because it's extremely hard to doctor information about their primary source of taxes, wages, since their employers keep duplicate records.

Finally, for Johnston, the world is full of many conspiracies. He argues that the IRS doesn't audit many financial partnerships and major corporations because doing so might expose the misdeeds of the "political donor class"—that is, close friends and allies of the congressmen who allocate the IRS' budget. Johnston doesn't have much direct evidence on this point, though he does detail how IRS inspectors investigating the oil giant Unocal were forced by their supervisors to back off as they closed in on a potentially gigantic fraud. But it certainly would explain a lot.

So why should you care about tax cheats? Johnston estimates that the gap between taxes collected and taxes owed is about $300 billion. Approximately what this country today spends every year on public education from kindergarten through high school—a huge chunk of change that, were it not for tax cheats, we could use to spend on other programs (or to lower everyone's tax rates). But radical reforms, like a flat tax or a consumption tax, would also have unintended consequences, and Johnston stops short of endorsing either. His ultimate advice is more cautious: the IRS needs more money; the tax system needs to be less complicated; businesses should show the same books to the IRS that they show shareholders; and the IRS should make public data on who has filed tax returns and paid the amounts they claim to owe.

These are all good fixes, though not transformative ones. But that's not necessarily a flaw with *Perfectly Legal*, which shows just how deep the problems with our tax system run. No one person can hope to fix them. Thank goodness there's at least one journalist willing to point them out.

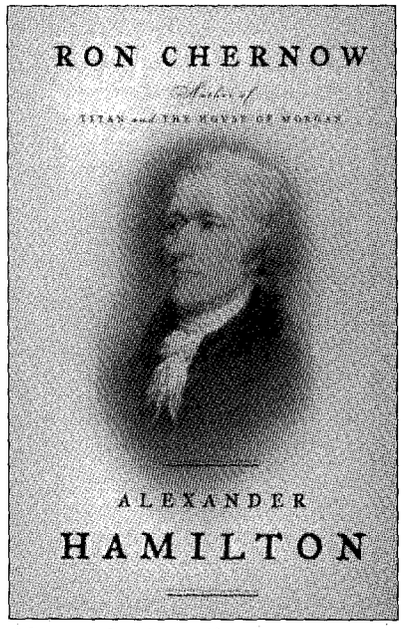
Nicholas Thompson is a senior editor at *Legal Affairs* and a *Washington Monthly* contributing editor.

Alexander the Great

Yet another unappreciated founding father.

By Matthew Dallek

Two very distinct views have guided our understanding of America's Revolutionary generation: the Hamiltonian and Jeffersonian, as historian Joseph Ellis points out in his Pulitzer Prize-winning book *Founding Brothers*. Alexander Hamilton saw the American Revolution as a collectivistic enterprise designed to forge a coherent nation under a strong centralized federal government. The Hamiltonians wanted a state that had the power to raise a militia, regulate trade and banking, and perhaps more importantly, unify the 13 colonies, fearing that the new nation would be riven by internal strife. In addition, Hamilton viewed urban centers, brimming with crafts, shipping, and manufacturing, as one key to America's self-sufficiency. President Thomas Jefferson, by contrast, disdained the federal government as a likely repository of tyrants. Jeffersonians favored an agrarian society with strong individual rights (primarily for white men), and in contrast to Hamilton, supported the practice of slavery. In many respects, these splits—urban versus rural, federal versus local—define our politics to this day.



Alexander Hamilton
By Ron Chernow

The Penguin Press; $35.00

In his exhaustive and engaging biography of Alexander Hamilton, Ron Chernow, (who has authored biographies of John D. Rockefeller Sr., and J.P. Morgan) describes Hamilton as the indispensable revolutionary. Chernow's gripping story sheds new light not only on Hamilton's legacy but also on the conflicts that accompanied the republic's birth. He passionately believed that if America were going to survive, order had to be balanced with liberty. In Hamilton's

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view, economic institutions, properly conceived, could foster manufacturing, protect private property, expand opportunity, and impose order on society. Chernow contends that more than any other founder, Hamilton's vision paved the road to America's future.

Born in the mid-1750s on the British West Indies' island of Nevis, Alexander Hamilton's family "clung to the insecure middle rung of West Indian life." Hamilton's father, a ne'er-do-well Scot, fled from home when Hamilton was just a boy. For Hamilton's mother, the breakup of this, her second marriage, tarnished her reputation for the rest of her life.

Hamilton's prospects, by contrast, were not so bleak. When he was young, he found a job working as a clerk at a mercantile house in St. Croix. When Hamilton's first cousin offered to pay for his passage to Boston where he might improve his lot in life, Alexander Hamilton seized his opportunity.

Ingratiating himself with well-to-do families in New Jersey (where he briefly settled), he eventually gained notice as a pamphleteer, and activist in Revolutionary America. Hamilton attended Kings College, in upper Manhattan; a prolific writer and voracious reader, he penned tracts in which he denounced the British, defended the rights of man, and described the Revolution as a legitimate reaction to tyranny imposed from abroad. Hamilton, at first, displayed a "slashing style of attack would make [him] the most feared polemicist in America," writes Chernow.

But Hamilton also had a moderate streak. Though he supported the American Revolution, he also thought it should be an orderly one. At one point, Hamilton defended a Tory newspaper publisher whose life was threatened by New York's revolutionary mobs. Later, Hamilton wrote to John Jay: "In times of such commotion as the present, while the passions of men are worked up to an uncommon pitch, there is great danger of fatal extremes."

In 1777, Gen. George Washington hired the 20-year-old Hamilton as his aide-de-camp, and he was soon functioning as Washington's unofficial chief of staff. The young pamphleteer ran missions, re-supplied the Army, guided the Continental Congress, and soothed tensions among Washington's bedraggled soldiers. Eventually, Hamilton made such an impression that he was appointed a colonel. He successfully led a valiant assault on a British regiment at Yorktown, winning great praise for his performance on the battlefield. By the war's end, Hamilton had become "a certified hero"; so exalted, in fact, that when the Revolution ended, he served as a New York delegate to the Constitutional Convention as well as author-in-chief of the Federalist Papers.

Ultimately, it was as President Washington's secretary of the treasury that Chernow argues Hamilton made his greatest contribution.

In riveting passages, Chernow describes the rise of the modern economy. Opposed to slavery based on the horrors Hamilton had witnessed during his West Indian boyhood, Hamilton wanted to end an institution he viewed as both backwards and brutal. Though frightened by the prospect of war between the South and the North, he spent his political capital pushing for the creation of strong central institutions he believed vital to the survival and prosperity of the new republic.

Almost single-handedly, the treasury secretary won passage of bills that established a U.S. bank, common currency, customs service, and coast guard. Hamilton negotiated a deal in which the capital would be moved from New York to Philadelphia to, ultimately, Washington, D.C., and in exchange the federal government would assume debts incurred by the states during the Revolution. (In assuming these debts, the federal government also assumed the authority to raise taxes to pay off those debts.) The power of the federal government to levy taxes had been enshrined into law.

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When Hamilton's critics accused him of resurrecting a British monarchy in America, Hamilton retorted that his economic reforms would glue the states together and that they were consistent with the spirit of 1787.

Alexander Hamilton is based on prodigious research, and it will likely prop up Hamilton's reputation in the same way David McCullough's biography bolstered John Adams's. Chernow captures many facets of Hamilton's life in impressive detail. For the first time, we learn in depth about Hamilton's devoted wife Eliza, and his 30-year friendship with George Washington.

Hamilton had a penchant for shrill attacks on his Jeffersonian foes, which made him one of the most reviled men in America. He was excoriated as a royalist and a slanderer, among other things, and his critics inveighed against his foreign and squalid upbringing. They finally managed to take Hamilton down several pegs in the eyes of the public when they exposed (and Hamilton later admitted) his affair with Maria Reynolds, a married woman in Philadelphia whose husband had extorted money from Hamilton in exchange for his silence.

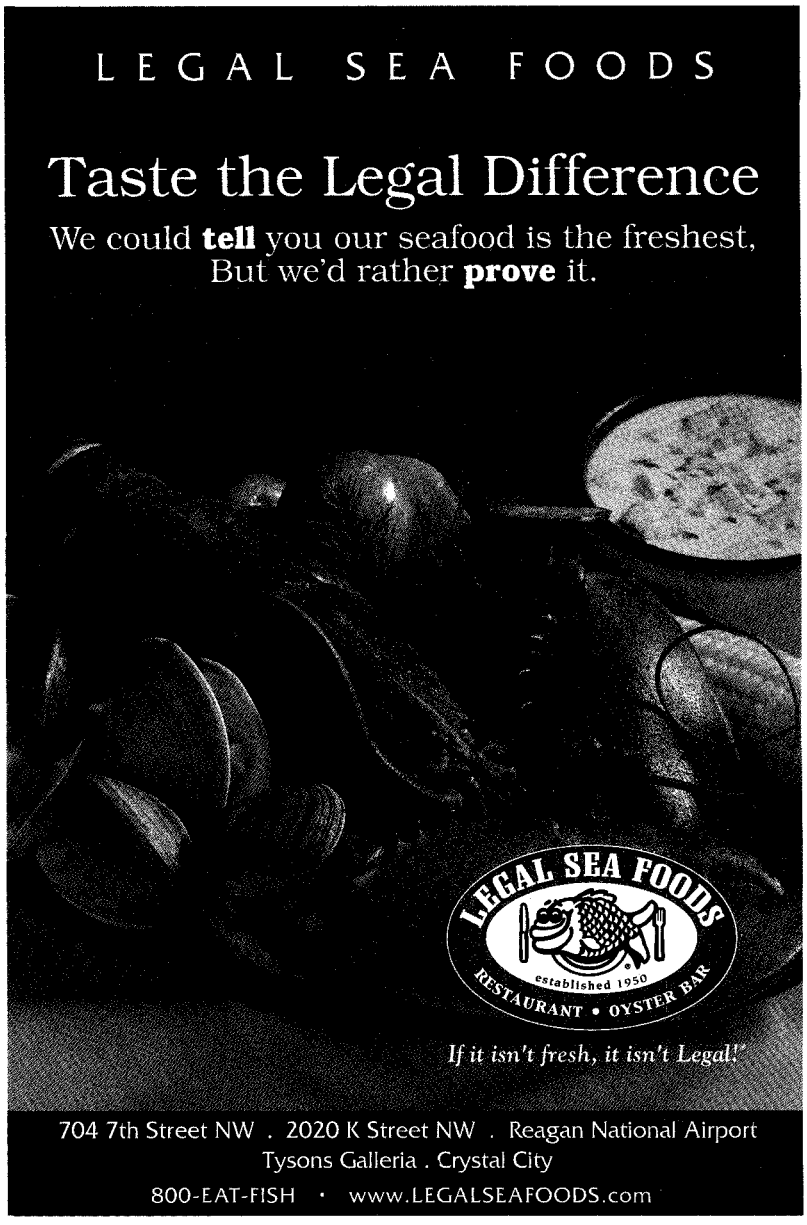
One of Hamilton's greatest enemies was Vice President Aaron Burr; the two men stood on opposite sides of some of the day's major questions. Both also believed that when one's honor was impugned, duels were an appropriate, even necessary, response.

In 1804 at a dinner party with some friends, Hamilton attacked Burr who was then running for governor of New York. (Burr was not in the room at the time.) When Burr (himself a firebrand, who comes across here very poorly, as an unprincipled, unappealing man) got wind of Hamilton's comments, he challenged him to a duel. Never one to shrink from a fight, Hamilton accepted Burr's challenge. The duel took place at dawn in Weehawken, N.J., on July 11, 1804. In the ensuing exchange, Hamilton suffered a fatal gunshot wound to his right side. The city of New York held one of the largest funerals in its colorful history to honor Alexander Hamilton.

Throughout this book, however, Chernow so quickly rushes to Hamilton's defense that he renders all of Hamilton's archenemies including Jefferson, Madison, and others without the nuance and complexity that they deserve. Jefferson, for instance, comes across as bloodthirsty in his support for revolutionary France, out of touch with America's future, and a vicious slaveholder who fathered a child with Sally Hemings, a Jefferson slave. Readers will find little explanation here of why the founders checking each other provided a measure of stability and democratic purpose at a time of slashing political attacks and searing personal and ideological divisions.

In the end, then, Chernow's affection for Hamilton becomes not only the book's great strength but also its biggest blind spot. If Hamilton was the principal architect of America's economy; if he, more than anybody else, managed to unite the states, then Jefferson, in spite of his myriad flaws, enshrined the notion of liberty into the Declaration of Independence. And without Madison, it is hard to imagine the Bill of Rights. These triumphs get little attention in this otherwise impressive volume about this partisan, brilliant, and visionary founding father.

Matthew Dallek is the author of *The Right Moment: Ronald Reagan's First Victory and the Decisive Turning Point in American Politics.*



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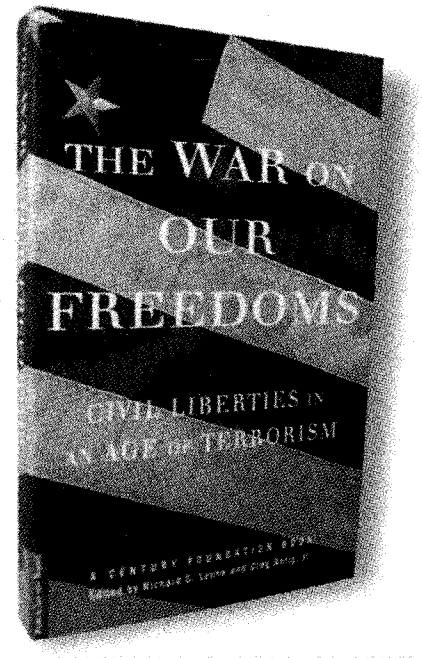

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